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CHANGES IN EEC IMPORTS OF COMMODITIES

AFFECTED BY THE VARIABLE LEVY SYSTEM

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During printing, figures 1 and 18 were transposed. The chart on page 44 is figure 1, not figure 18, and should have been on page 10.

The chart on page 10 is figure 18 and should have been on page 44.

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Washington, D. C. 20250 June 1968

SUMMARY

For all grain-livestock commodities, the trend for 1953-62 for the U.S. share of the European Economic Community (EEC) market was slightly upward (0.6 percentage point annually). On July 30, 1962, the EEC instituted its system of variable levies within the Common Agricultural Policy (CAP). In 1963-66, there was practically no deviation from the upward movement in the U.S. market share (the percent imported from the United States). However, this is the result of imports of commodities free from the levy as well as those subject to it. For commodities subject to the levy, the rate of increase in the U.S. market share during the 1963-66 period was slightly lower than the 1953-62 growth rate. Major commodities subject to the levy for which the U.S. share failed to maintain the previous rate of growth were barley, other feed grains, and meat. For wheat (and the wheat equivalent of wheat flour) and corn, however, the U.S. share was above the trend in the later period. The U.S. market share of all grains increased at a slightly faster rate in the recent period while the share for feed grains increased more slowly than during 1953-62.

Considering the quantity of grains imported from the United States rather than the U.S. market share, the rate of increase for barley and other feed grains was lower in 1963-66 but imports of U.S. corn expanded at a faster rate. Wheat shipments were below trend levels in 1963, 1964, and 1965, but far above in 1966. Overall, feed grain and all grain shipments were above trend, especially in 1965 and 1966.

The only major commodity free from the levy for which the U.S. market share was below trend levels in 1963-66 was unprocessed vegetable oils. The U.S. share of feedstuff imports was far above trend, largely as a result of the large quantity of U.S. soybean meal imported. Generally, though not in all years, the U.S. share of imports of oilseeds and animal oils and fats was also far above trend. For the United States, market shares for all included commodities free from the levy were above trend, on the average, in 1963-66.

In general, the market shares for other non-EEC countries were below trend in 1963-66 although this was not the case for several commodities. The intra-EEC market shares were, in general, significantly above trend.

The 1963-66 experience is not necessarily indicative of future effects of the Common Agricultural Policy upon agricultural trade. Conditions affecting trade during the transitional 1963-66 period were somewhere between the pre-CAP situation and a single market situation, with sufficient differences from the latter to suggest caution in inferring that the interim developments necessarily foretell future trade patterns. The change occurring at the start of the single market stage may be of sufficient magnitude to cause greater change in trade flows than was evident during the transitional period. Also, it will take time for European farmers to adjust production to the new price levels and there are many factors other than price that affect the quantity of production.

Several extensive studies have attempted to evaluate the trade implications of the changes taking place and have made projections of future EEC production, consumption, and import requirements. This report supplements these efforts by analyzing changes in EEC imports since 1962.

The methodology in this report differs from previous reports on changes in imports by analyzing trade in terms of market shares, as well as quantity, and by comparing trade in these terms to changes (trends) occurring in the prior decade. A comparison against trend takes into account the dynamic nature of trade flows more fully than an analysis based upon annual averages for several years before and after the levy was instituted.

Commodities included are those often referred to as the grain-livestock sector and only those of major importance to the United States are analyzed separately. Commodities are classified according to the Standard International Trade Classification (SITC), Revised.

CHANGES IN EEC IMPORTS OF COMMODITIES AFFECTED BY THE VARIABLE LEVY SYSTEM

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INTRODUCTION

Purpose of Study.

Within the framework of the Common Agricultural Policy (CAP), the European Economic Community (EEC) instituted its variable levy system on July 30, 1962. The commodities covered were grains, eggs, poultry, and pork. In the fall of 1964, the variable levy system was extended to cover rice, beef and veal, and dairy products. In general, the system stimulates internal production by establishing a high level of support prices and nullifies any price advantage non-EEC exporters might have through a reliance on minimum import prices. This has created anxiety in the United States and in other countries supplying agricultural commodities to the EEC.

The Common Market is the largest single outlet for commercial exports of U.S. farm products. Since 1960, the Community has purchased over a billion dollars annually of U.S. agricultural exports, nearly $1.6 billion in 1966. Over the past decade there has been a gradual and fairly persistent growth in a favorable trade position for the United States in agricultural products. This position constitutes a major part of the favorable overall commodity trade position of the United States with the Common Market.

Attempts to evaluate the trade implications of the changes taking place in the EEC include several extensive studies of the factors which affect production in the EEC and projections as to the possible level of future production, consumption, and import requirements of the EEC. 1/ The present study supplements these efforts by analyzing the changes in imports by the EEC nations after 1962 and through 1966, the latest years for which data were available at the time of preparation of this study. 2/ It differs from previous reports by

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1/ See Vernon Sorenson and Dale Hathaway, The Grain-Livestock Economy and Trade Patterns of the European Economic Community with Projections to 1970 and 1975, Michigan State University, Research Report No. 5, 1968; and Donald W. Regier, Growth in Demand for Feed Grains in the EEC, U.S. Dept. Agr., ERS-Foreign 158, July 1967. For a study of commodities not subject to the variable levy, see Dieter Elz, European Economic Community Import Demand for Oilseeds and Oilseed Products--A Summary, U.S. Dept. Agr., ERS-Foreign 170.

2/ Imports for all of 1962 are included in the "pre-CAP" period although the first variable levy became effective July 30. Importers in the EEC knew well in advance of the coming of the levy and doubtlessly shifted forward their purchases to the extent feasible. Thus, a very large proportion of the 1962 imports entered free from the variable levy.

considering trade in terms of market shares, as well as quantities, during this period. A more significant difference is that trade in these terms is compared to changes (trends) occurring in the decade prior to the enactment of the CAP as well as to levels of trade in this period.

Foreign trade data show the value of agricultural exports from the United States to the EEC increasing every year since 1962. The value of exports in 1966 was 36 percent above that in 1962. This value includes, however, commodities subject to the variable levy as well as those not subject to it. Considering only those commodities subject to the levy, agricultural exports increased in each year except 1963. The relative increase from 1962 to 1966 was slightly greater than the increase for all agricultural commodities. Within the overall increase of commodities subject to the levy there were declines for several commodities, especially poultry, but these were more than offset by increases for feed grains. 3/

Although these conclusions for the most part are encouraging, several questions remain. Does the EEC still obtain the same proportion of agricultural commodities from the United States as before or has the U.S. market share declined? If it has declined, has there been a shift to intra-EEC trade or to imports by the EEC nations from other non-EEC nations? If the U.S. market share has increased since 1962, has the increase been at a slower rate than that prior to 1962? Stated differently, did trade patterns show a change before 1962 which was beneficial to the United States, and which was halted when the variable levy system went into effect? It is the objective of this report to provide answers to these questions for the years 1963 to 1966 to the extent that data permit.

Methodology.

This report is basically a time series analysis of market shares. The time series utilized throughout were derived from data obtained from the United Nations publication, Commodity Trade Statistics. Thus an analysis is made of changes in the U.S. position based upon data reported by the Common Market countries. Market shares for the United States, other non-EEC nations, and intra-EEC trade were computed using quantity data when commodities were fairly homogeneous within a group and value data when they were not. For these three geographic areas, share statistics for each commodity or commodity group were then rearranged into time series for analysis.

As a measure of long-term changes, a trend line was calculated on the market shares for the decade prior to the institution of the first CAP (1953-62). 4/ This trend was then extrapolated for each year from 1963 to 1966.

3/ See also Joseph R. Corley, U.S. Agricultural Exports to the European Economic Community, Fiscal Years 1961-62 through 1965-66, Foreign Agricultural Trade of the United States, September 1966.

4/ Data were available back to 1951 but data for this year and 1952 were not used to estimate trends because of the influence the Korean War may have had on normal trade patterns.

The actual market shares for these years were then compared with what the market shares would have been if trends in the base period had continued. Clearly there is no assurance that past trends would have continued in the absence of a Common Agricultural Policy, and the trends are not to be considered a norm. However, a comparison against trend indicates whether there has been any marked deviation from long-term changes exhibited during the period when domestic support and trade policies were solely in the hands of national governments.

The standard error of estimate around the trend line was also computed. Throughout the analysis of commodities, the standard error of estimate should serve as a guide to the degree to which conclusions drawn from a trend analysis should be tempered. If past fluctuations have been large, chances are that fluctuations in the future will be large although this does not necessarily follow. Large fluctuations during the base period lessen the significance of deviations from the trend in the extrapolated period. In addition to the trend for 1953-62, the average level of the market share for the various areas was calculated for this period. Thus, there is an indication of the direction, the level, and the degree of fluctuation of the market shares during the base period.

To give a more complete understanding to the changes in market shares, a trend analysis of the quantities involved (metric tons) is included for some commodities. An analysis of quantity is included only for those commodities that have fairly homogeneous component parts. A summation of heterogeneous commodities by weight is not a meaningful figure although a summation based upon value figures would be meaningful. However, the use of value figures in a time series analysis might lead to erroneous conclusions because of the influence of varying prices on value. A value time series may show an upward (or downward) trend caused by higher (or lower) prices when in fact there was no change in quantity, or possibly even a change in the opposite direction.

In this report, the terms Common Market, EEC, Six, Member States, or Community will be used to refer to the European Economic Community per se and, for the years prior to the EEC's formation, the six nations presently in the Community. EEC imports include trade among the Six (intra-EEC trade) as well as imports from non-EEC nations. The years upon which the trend line is based, 1953-62, is referred to as the base period.

Scope.

Commodities included are those of importance to the United States which are subject to the variable levy system, plus other commodities affected because of their competitive or supplementary characteristics. Basically this incorporates that sector of the agricultural economy that can be referred to as the "grain-livestock" sector. This sector accounts for over 70 percent of all agricultural imports by the Common Market from the United States. The average value in 1964-66 was $1.23 billion. Commodities of major importance to the United States which are not included are fruits, vegetables, tobacco, and cotton.

There are 21 commodities included in this report as defined at the 3-digit level by the Standard International Trade Classification (SITC), Revised. An analysis at the 4-digit level would have been better in a few cases because the variable levies were applied at that level. However, data at this level are available only from 1961.

The specific commodities included and their SITC are listed in table 1. The value and relative importance of the commodities by source of supply are shown in tables 2, 3, and 4. Only those commodities that are of major significance to the United States are analyzed separately. However, the changes of all 21 are incorporated into the sum for the grain-livestock sector which is also analyzed.

COMMODITIES SUBJECT TO THE VARIABLE LEVY

The Variable Levy System.

Before discussing the changes in imports of commodities subject to the variable levy (roughly 60 percent by value of the commodities included in this study), some comments on the levy system and certain aspects of the CAP are desirable. 5/

The mechanics of calculating the levies vary from one group of commodities to the next. Because of the complexities of the system and the availability of descriptions in other publications, no attempt is made here to provide details of the individual regulations. However, it is essential to point out certain characteristics of the system that are important in drawing inferences from an examination of developments to date and in assessing the possible longer term impact on trade in agricultural products.

The essential feature of most CAP regulations as they affect imports is the existence of minimum import prices which are enforced by applying levies to all imports offered at lower prices to bring them up to the Community levels. For grains, pork, poultry, eggs, and dairy products, levies have been applied continuously since the respective regulations came into force. The regulations for beef and veal exempt imports from variable levies when internal prices are above an established level. This situation existed for several months after the regulation became effective so the levy provisions resulted in no levies being collected although custom duties were collected.

The basic commodity regulations provided for transitional periods to ease the adjustment from six separate national markets to one unified or common market. The original objective was to achieve unification by January 1, 1970,

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5/ For a more detailed discussion of the variable levy system and other aspects of the CAP, see Organization for Economic Co-operation and Development, Agricultural Policies in 1966, Paris, 1967, pp. 616 ff; Byron L. Berntson, The European Agricultural Guidance and Guarantee Fund, U.S. Dept. Agr., ERS-Foreign 144, June 1966.

Table 1.--Commodities selected for study, their Standard International Trade Classification (SITC), revised, and date first subjected to variable levy by EEC

Commodity	SITC	Date when variable levy began
Subject to variable levy:		
Wheat and wheat flour 1/	041 & 046	July 30, 1962
Other flour	047	July 30, 1962
Barley	043	July 30, 1962
Corn	044	July 30, 1962
Other feed grains	045	July 30, 1962
Eggs	025	July 30, 1962
Livestock	001	2/
Meat	011,012,013	2/
Margarine and shortening	091	3/
Rice	042	September 1, 1964
Milk and cream	022	November 1, 1964
Butter	023	November 1, 1964
Cheese	024	November 1, 1964
Not subject to variable levy:		
Feedstuffs	081	---
Oilseeds	221	---
Animal oils and fats	411	---
Vegetables oils, unprocessed	4/421 & 422	---
Oils, processed, and waxes	431	---

1/ Wheat flour converted to wheat equivalent in subsequent tables.

2/ The variable levy for poultry, live pigs, and pork came into effect July 30, 1962. It came into effect for beef and veal November 1, 1964. Although variety meats and canned poultry are subject to the variable levy, the import duties are bound in GATT.

3/ Lard, included in SITC 091, became subject to the variable levy with pork products (July 30, 1962).

4/ Prior to 1960, SITC 412.

Table 2.--Value of imports of grain-livestock and all agricultural commodities by the Member States of the EEC from all sources

Commodity	Average annual value		Percentage of total value of grain-livestock imports	
	1952-54	1964-66	1952-54	1964-66
	--Million dollars--		--------Percent----------	
Subject to variable levy:				
Wheat and wheat flour	491.2	352.9	21.7	6.7
Other flour	.7	1.9	1/	1/
Barley	157.6	206.4	7.0	3.9
Corn	156.6	679.4	6.9	12.9
Other feed grains	96.2	169.5	4.3	3.2
Eggs	111.2	107.1	4.9	2.0
Livestock	85.6	411.0	3.8	7.8
Meat	139.4	987.4	6.2	18.8
Margarine and shortening	18.4	17.3	.8	.3
Rice	33.5	51.7	1.5	1.0
Milk and cream	14.9	98.0	.7	1.9
Butter	59.4	69.7	2.6	1.3
Cheese	78.6	236.2	3.5	4.5
Not subject to variable levy:				
Feedstuffs	112.4	657.3	5.0	12.5
Oilseeds	347.2	735.2	15.4	14.0
Animal oils and fats	87.9	90.2	3.9	1.7
Vegetable oils, unprocessed	250.8	335.3	11.1	6.4
Oils, processed, and waxes	17.9	38.8	.8	.7
Total, 21 commodities	2,259.3	5,246.1	100.0	100.0
Total, all agricultural commodities	6,042.3	12,008.3	---	---

1/ Less than 0.05 percent.

Table 3.--Value of intra-EEC trade in grain-livestock commodities

Commodity	Average annual value		Percentage of total value of grain-livestock imports	
	1952-54	1964-66	1952-54	1964-66
	--Million dollars--		---------Percent---------	
Subject to variable levy:				
Wheat and wheat flour	19.1	76.4	5.7	5.8
Other flour	.2	1.8	.1	.1
Barley	3.4	95.5	1.0	7.2
Corn	3.2	87.2	1.0	6.6
Other feed grains	4.7	14.6	1.4	1.1
Eggs	65.2	71.9	19.7	5.5
Livestock	12.1	106.2	3.6	8.1
Meat	40.7	380.6	12.2	28.9
Margarine and shortening	3.5	8.6	1.0	.7
Rice	15.5	8.5	4.6	.6
Milk and cream	11.4	62.2	3.4	4.7
Butter	31.5	43.1	9.4	3.3
Cheese	40.4	142.6	12.2	10.8
Not subject to variable levy:				
Feedstuffs	28.8	120.5	8.6	9.1
Oilseeds	5.3	17.0	1.6	1.3
Animal oils and fats	6.2	23.2	1.9	1.8
Vegetable oils, unprocessed	37.3	33.3	11.3	2.5
Oils, processed, and waxes	4.7	23.8	1.4	1.9
Total, 21 commodities	333.4	1,317.4	100.0	100.0
Total, all agricultural commodities	811.0	2,912.6	---	---

Table 4.--Value of imports of grain-livestock commodities by the Member States of the EEC from the United States

Commodity	Average annual value		Percentage of total value of grain-livestock imports	
	1952-54	1964-66	1952-54	1964-66
	--Million dollars--		---------Percent---------	
Subject to variable levy:				
Wheat and wheat flour	164.8	95.2	43.8	7.7
Other flour	1/	.1	1/	1/
Barley	5.2	35.3	1.4	2.9
Corn	60.8	353.2	16.2	28.6
Other feed grains	20.6	96.1	5.5	7.8
Eggs	.5	1.8	.1	.1
Livestock	1/	3.7	1/	.3
Meat	15.4	70.9	4.1	5.7
Margarine and shortening	13.0	4.8	3.5	.4
Rice	1.1	14.3	.3	1.2
Milk and cream	.4	21.7	.1	1.8
Butter	1/	10.4	1/	.8
Cheese	.1	.3	1/	1/
Not subject to variable levy:				
Feedstuffs	4.1	157.5	1.1	12.8
Oilseeds	37.1	300.4	9.9	24.3
Animal oils and fats	31.9	42.2	8.5	3.4
Vegetable oils, unprocessed	18.5	23.6	4.9	1.9
Oils, processed, and waxes	2.9	2.5	.8	.2
Total, 21 commodities	376.2	1,233.8	100.0	100.0
Total, all agricultural commodities	817.6	1,646.3	---	---

1/ Less than $0.5 million or 0.05 percent.

but the program was accelerated so that Community-wide markets became a reality on July 1, 1967 for grain (except rice), pork, eggs, and poultry--and are scheduled for most other commodities by mid-1968 (fig. 1).

During the transitional period, levies were applied at the national level so that farmers in each member country enjoyed a degree of protection from imports from other member states as well as nonmember countries. These levies were coordinated with price support activities by each national government. Prices in the various member states varied considerably prior to 1962 and it was originally intended that these prices would gradually be brought closer together during the transitional period. As prices were brought together, levies between member states would gradually disappear and thus provide an incentive for expanded intra-EEC trade. Levies on imports from non-EEC countries were not to disappear but would gradually be adjusted so that by the end of the transitional period the levy on each product would be uniform throughout the Community.

The intended effect of these changes was to initially give some preference to intra-EEC trade which would be gradually expanded to free trade within the Community, and to achieve progressive harmonization of the levies on imports from the outside.

The end result has been as planned but for many products the changes have not occurred gradually. This is particularly true for grains. After introducing a modest preference for Community grain at the outset, there was virtually no change in Community preferences until the unified market came into being on July 1, 1967. Thus the conditions affecting trade during the transitional period were somewhere between the pre-CAP situation and a single market situation, with sufficient differences from the latter situation to suggest caution in inferring that the interim developments necessarily foretell future trade patterns. The change occurring at the start of the single market stage may have been of sufficient magnitude to cause greater change in trade flows than was evident during the transitional period.

For other commodities such as pork, poultry, and eggs, the Community preference was progressively increased although there was not a smooth transition to free intra-EEC trade. In some instances, sizable levies were imposed on imports from other member states during the period immediately prior to the move to a unified market. It is not yet possible to assess the impact of their elimination.

Wheat and Wheat Flour.

Since the start of the CAP, the United States share of the market has improved, reversing, at least temporarily, a downward trend which occurred during the base period. However, total Community imports of wheat and wheat flour have declined so that despite the larger market share less U.S. wheat has been purchased by EEC countries.

With this decline in imports, wheat has become much less important relative to the value of imports of all grain-livestock imports. Based upon

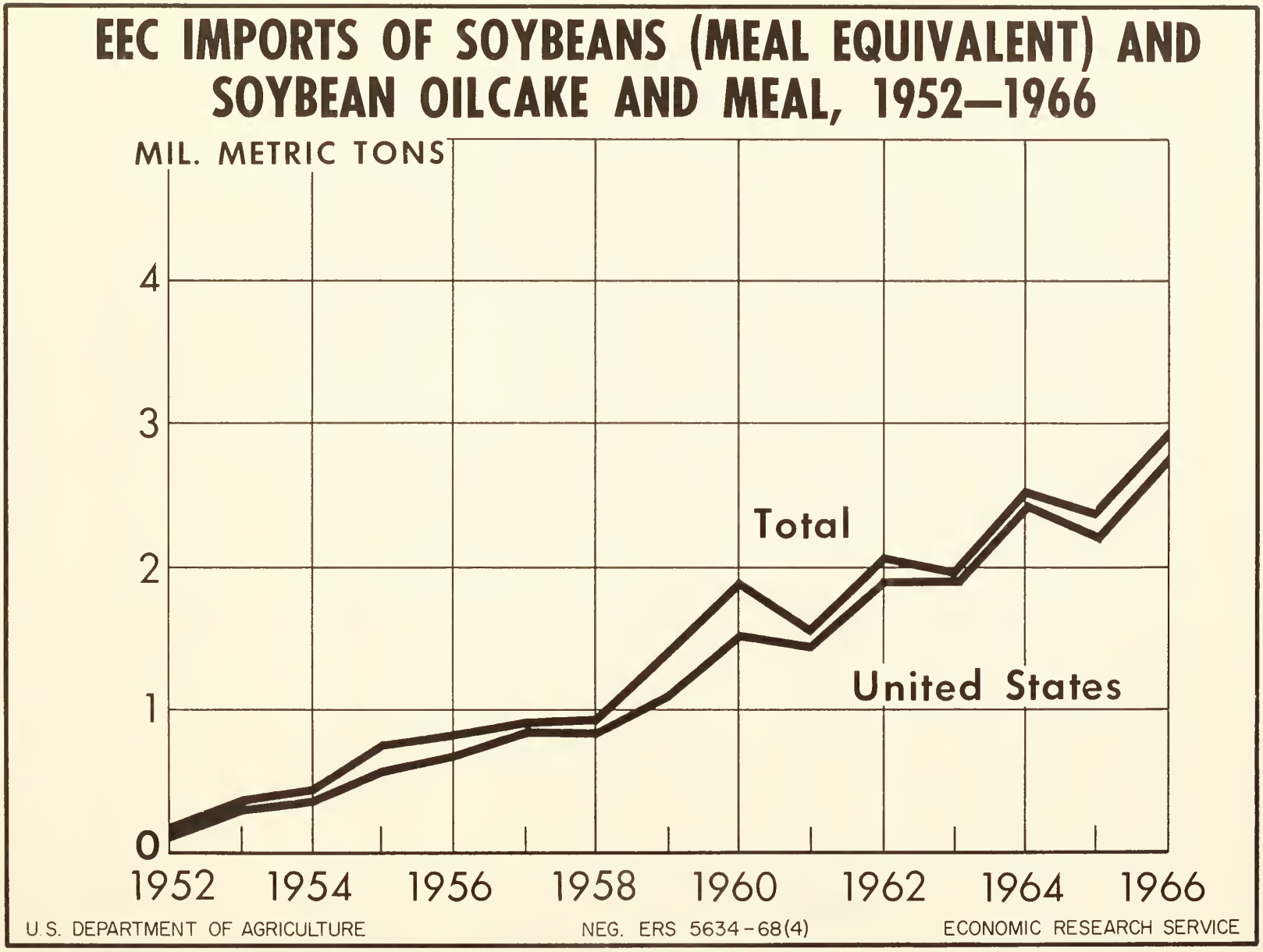
EEC IMPORTS OF SOYBEANS (MEAL EQUIVALENT) AND SOYBEAN OILCAKE AND MEAL, 1952—1966
MIL. METRIC TONS
4
3
2
1
0
Total
United States
1952
1954
1956
1958
1960
1962
1964
1966
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 5634-68(4)
ECONOMIC RESEARCH SERVICE

Figure 1

imports from all sources, wheat imports in 1952-54 accounted for nearly 22 percent of the grain-livestock imports. In 1964-66, they accounted for less than 7 percent. Wheat imports from the United States declined from nearly 44 percent to less than 8 percent of the commodities included in this study (tables 2 and 4).

The decrease in the level of wheat imports has resulted as production increases in the EEC have considerably exceeded the moderate increase in consumption (table 5). From 1956 to 1962, wheat production in the EEC averaged 23.6 million metric tons with no strong trend movement. During 1963-66, production increased sharply to an average level of 28.4 million metric tons.

In the base period, the average market share for the United States was 26.3 percent and was declining at the rate of 0.8 percentage point per year (table 6 and fig. 2). In each year since 1962, the U.S. market share has been above the extrapolated trend level with the 1963-66 average at 28.9. The U.S. share of EEC country imports reached 37 percent in 1966, the highest level since 1956.

Because of the substantial decline of the total market since 1962, an improvement in the U.S. market share does not translate into an improved position in absolute terms (table 7 and fig. 3). During the base period, U.S. sales were declining at the rate of 27,000 tons per year. In each year since 1962, sales have been a little below the extrapolated trend value with the exception of 1966 when they were up sharply.

Unlike the situation with respect to U.S. trade, there was a gradual increase in the relative importance of intra-EEC trade during the base period. However, this trade was on the average only 11.9 percent of wheat imports into EEC countries during the base period and 14.6 percent in 1963-66. Moreover, the increase since 1962 was at a slower rate than that occurring during the base period.

In absolute terms, as well, intra-Community trade expanded, but as with the market shares the increase was at a slower rate during 1963-66 than during the base period.

As a group, non-EEC countries other than the U.S. have been unable to hold their position in either relative or absolute terms. After maintaining a constant share of the market and increasing sales during the base period, these countries have, since 1962, been filling a smaller proportion of the declining import demand in the EEC countries, with the result that total sales have been off sharply.

In general, the levy system, at least during the transition period, has not brought about a significant change in favor of intra-Community trade. It must be kept in mind, however, that there was not a progressive reduction in the barriers to intra-Community trade in grains during the transitional period. When the CAP came into force in 1962, a moderate preference was established for Community grain which remained virtually unchanged until the unified price became effective on July 1, 1967. The latter change, which included the elimination of intra-Community levies, may well have a greater impact on trade

Table 5.--Usable production and consumption of, and degree of self-sufficiency in, grains in the Common Market, crop years 1956 to 1966

Commodity	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
	1,000 metric tons 1/										
Wheat:											
Usable production	24,328	18,730	24,559	24,316	25,814	24,137	23,060	29,495	24,445	29,158	30,369
Consumption 2/	25,806	23,753	26,150	26,621	27,565	27,129	26,800	27,373	26,783	27,591	27,609
Self-sufficiency	94	79	94	91	94	89	86	108	91	106	110
Barley:											
Usable production	5,548	9,528	6,964	7,188	8,651	9,765	9,145	10,873	12,009	11,752	11,850
Consumption 2/	8,178	10,566	9,811	9,729	10,283	9,901	11,163	11,562	11,271	11,795	12,641
Self-sufficiency	68	90	71	74	84	99	82	94	107	99	94
Corn:											
Usable production	4,346	5,184	4,914	5,363	5,720	6,649	6,432	5,172	7,612	6,118	6,832
Consumption 2/	6,237	7,261	7,773	8,153	9,400	10,674	11,571	11,545	14,842	14,248	15,367
Self-sufficiency	70	71	63	66	61	62	56	45	51	43	44
Other feed grains:											
Usable production	13,755	15,066	12,746	12,579	12,516	12,792	10,918	12,216	12,635	12,404	11,155
Consumption 2/	15,265	16,220	14,462	14,339	14,812	14,985	14,471	14,569	14,782	14,558	14,098
Self-sufficiency	90	93	88	88	84	85	75	84	85	85	79

1/ Self-sufficiency is consumption (or utilization) as a percent of usable production.
2/ Total utilization.
Source: Statistical Office of the European Communities, Agricultural Statistics, Brussels, 1967, No.6/7.

Table 6.--EEC: Market shares for major commodities subject to the variable levies

Commodity and source	Average market shares		Trend analysis						
	Base period (1953-62)	1963-66	Base period (1953-62): Trend coefficient	S_{yx}	Difference between extrapolated trend values of market shares and actual values: 1963	1964	1965	1966	Ave.
	Percent		Percentage points						
Wheat, wheat flour:									
United States	26.3	28.9	-0.8	7.1	4.6	7.7	3.5	18.2	8.5
Other non-EEC	61.8	56.4	0	5.0	2.7	-6.4	-3.4	-14.8	-5.5
Intra-EEC	11.9	14.6	.8	4.2	-7.3	-1.3	-0.1	-3.4	-3.0
Barley:									
United States	24.2	22.1	2.8	12.2	-11.3	-21.2	-26.5	-27.5	-21.6
Other non-EEC	60.6	38.6	-5.7	8.6	3.4	12.8	28.0	27.1	17.8
Intra-EEC	15.2	39.4	2.9	12.3	7.9	8.5	-1.5	.5	3.8
Corn:									
United States	38.0	53.7	.2	11.5	10.0	12.4	16.3	18.1	14.2
Other non-EEC	60.1	38.5	-.5	12.4	-10.7	-16.8	-23.0	-23.2	-18.4
Intra-EEC	1.9	7.8	.3	2.0	.8	4.4	6.6	5.1	4.2
Other feed grains:									
United States	44.3	58.6	4.6	13.4	-13.9	-22.3	-16.8	-19.0	-18 0
Other non-EEC	48.9	36.1	-4.5	13.7	17.2	22.3	16.1	20.0	18.9
Intra-EEC	6.8	5.3	-.1	2.7	-3.3	0	.6	-1.0	-.9

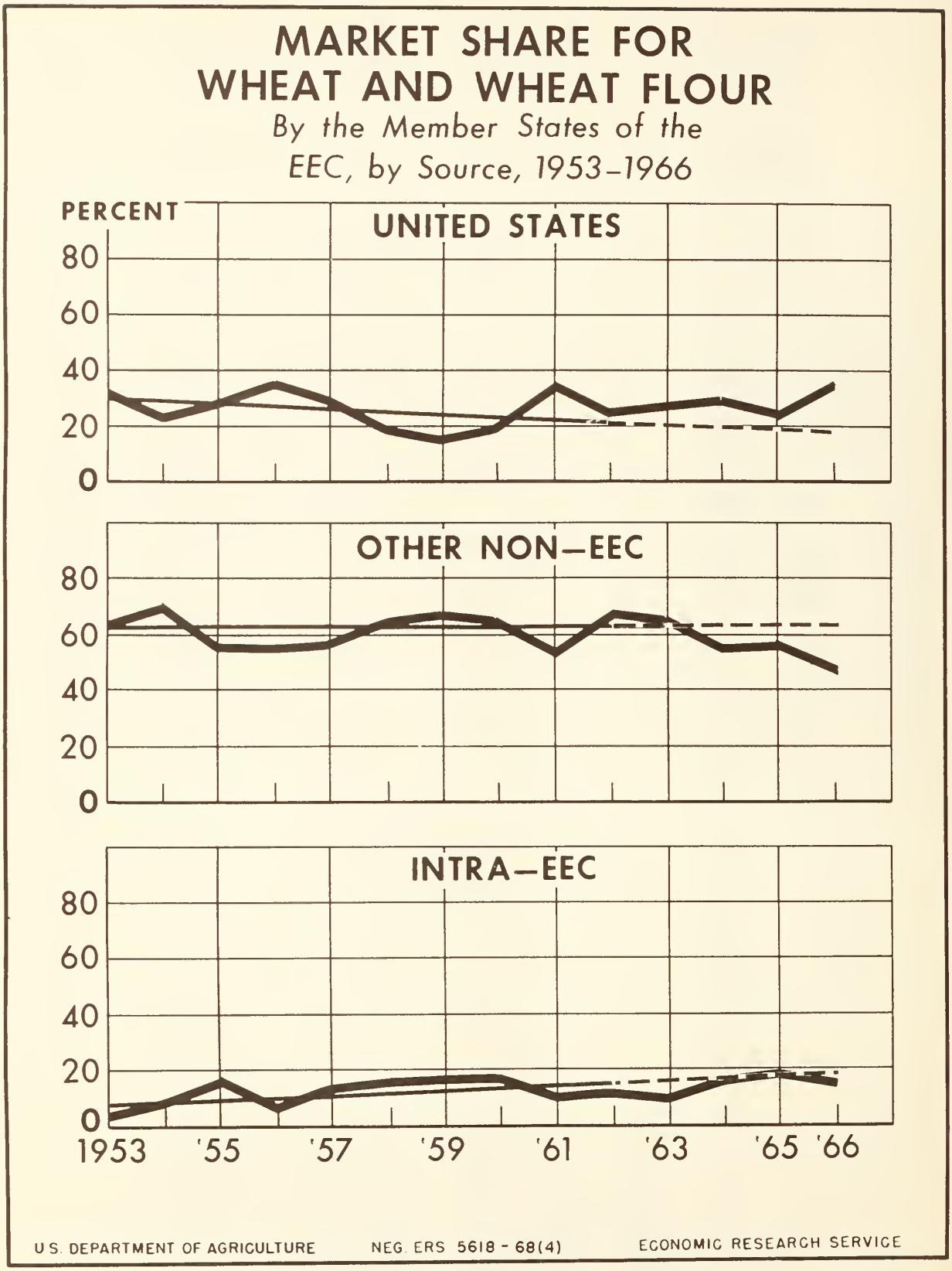
MARKET SHARE FOR
WHEAT AND WHEAT FLOUR
By the Member States of the
EEC, by Source, 1953–1966
PERCENT
UNITED STATES
80
60
40
20
0
OTHER NON—EEC
80
60
40
20
0
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U.S. DEPARTMENT OF AGRICULTURE
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Figure 2

Table 7.--Grain imports by the EEC nations

Commodity and source	Average imports		Trend analysis						
	Base period (1953-62)	1963-66	Base period (1953-62): Trend coefficient	S_{yx}	Difference between extrapolated trend values of market shares and actual values: 1963	1964	1965	1966	Ave.
	1,000 metric tons		1,000 metric tons						
Wheat, wheat flour:									
United States...	1,474	1,272	-27.2	628	-250	-134	-173	509	-12
Other non-EEC...	3,328	2,459	11.7	435	-754	-1,140	-687	-1,222	-951
Intra-EEC.....	619	647	43.9	149	-486	-255	-107	-268	-279
World.....	5,421	4,378	28.4	876	-1,490	-1,530	-967	-981	-1,242
Barley:									
United States...	642	563	86.2	330	-529	-730	-750	-722	-683
Other non-EEC...	1,512	1,021	-90.4	335	-334	-111	496	517	142
Intra-EEC.....	396	1,022	73.1	303	15	81	85	277	115
World.....	2,551	2,606	68.9	489	-848	-760	-169	72	-426
Corn:									
United States...	1,334	5,260	220.6	438	1,514	1,643	3,024	3,348	2,382
Other non-EEC...	2,016	3,671	250.0	345	484	-202	-263	-403	-96
Intra-EEC.....	75	786	20.2	97	143	463	887	788	570
World.....	3,425	9,717	490.7	526	2,140	1,903	3,647	3,733	2,856
Other feed grains:									
United States...	1,006	1,639	176.4	273	-455	-844	-529	-581	-602
Other non-EEC...	943	997	25.1	275	45	-54	-231	-249	-122
Intra-EEC.....	132	149	10.6	41	-106	-41	-13	-70	-57
World.....	2,081	2,785	212.1	308	-516	-939	-773	-900	-782

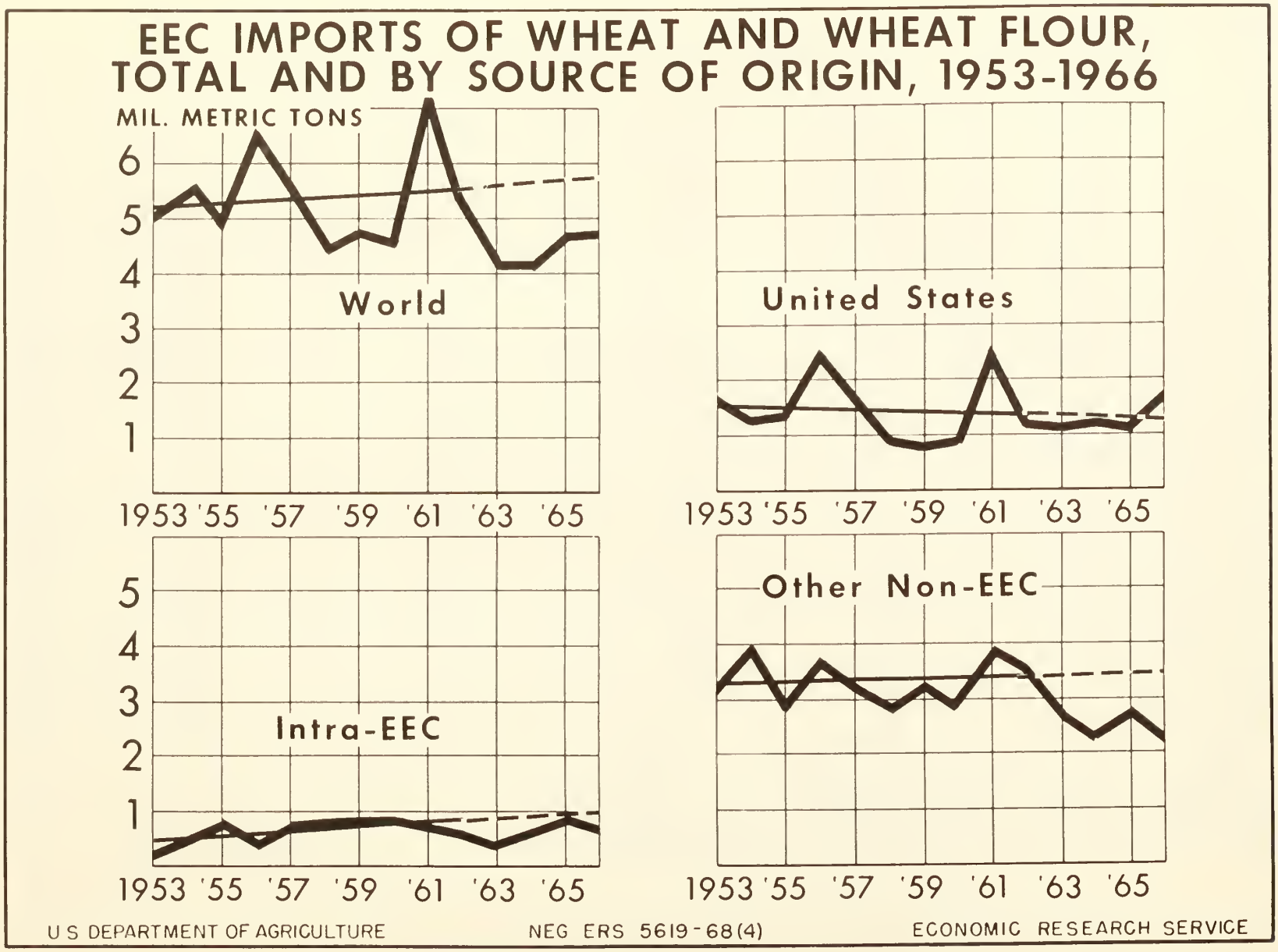
EEC IMPORTS OF WHEAT AND WHEAT FLOUR, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
World
United States
Intra-EEC
Other Non-EEC
1953 '55 '57 '59 '61 '63 '65
U S DEPARTMENT OF AGRICULTURE
NEG ERS 5619-68(4)
ECONOMIC RESEARCH SERVICE

Figure 3

patterns than the measures adopted in 1962. One factor which will continue to influence trade is the need for high quality wheat not grown extensively in the Community to blend with the domestically produced soft wheats.

Barley.

The U.S. share of EEC imports of barley improved in the base period but fell far below trend after 1962 (fig. 4). Very much the opposite occurred with regard to other non-EEC nations, there being a decline in the base period and a better than trend position after 1962. Intra-Community trade in barley started at very low levels in the early 1950's but progressed to much higher levels in the base period, in terms of both market share and quantity.

Although the trend for the quantity of barley imported by the EEC from all sources is upward (fig. 5), the relative importance of barley has declined. In 1952-54, barley accounted for 7 percent of all grain-livestock imports; by 1964-66, only 4 percent. For the United States, barley in the more recent period became a more important foreign exchange earner, increasing from $5 to $35 million, but it still accounts for less than 3 percent of the grain-livestock commodities shipped to the EEC.

In the base period, the United States strongly increased its share of the market although there were wide fluctuations. After 1962, however, the U.S. position was far below trend values and the average market share dropped from 24.2 percent to 22.1 percent. The data on quantity closely parallel the market share figures. During the base period there was a strong uptrend, but after 1962 the EEC imported 530,000 to 750,000 metric tons a year less than the trend level indicated. The average quantity imported declined 12 percent.

During the base period, the intra-EEC trade share was increasing in importance at a rate of 2.9 percentage points a year, a little more than that for the United States. Unlike the experience for the United States, the market share position for intra-EEC trade continued an upward thrust after 1962. The market share figure was above or very close to trend in each subsequent year. The 1963-66 average market share was 39.4 percent, over one and a half times larger than the 15.2 percent registered for the base period. This change in market share was paralleled by the changes in the quantity of barley entering intra-EEC trade. There was an uptrend in the base period and after 1962 the level of trade was greater than the trend level. Average imports in the 1963-66 period were 2.5 times those in the base period.

Given that the market shares for both the United States and intra-EEC trade increased during the base period, the shares for other non-EEC nations could only decline. The decline was at the rate of 5.7 percentage points annually, a very significant decline. However, from 1962 through 1966 there was some fluctuation but very little net change in the market share for this area. As a result, the percentages for these years are above the level indicated by the downtrend by no less than 3 percentage points (in 1963) and by as much as 28 percentage points (in 1965).

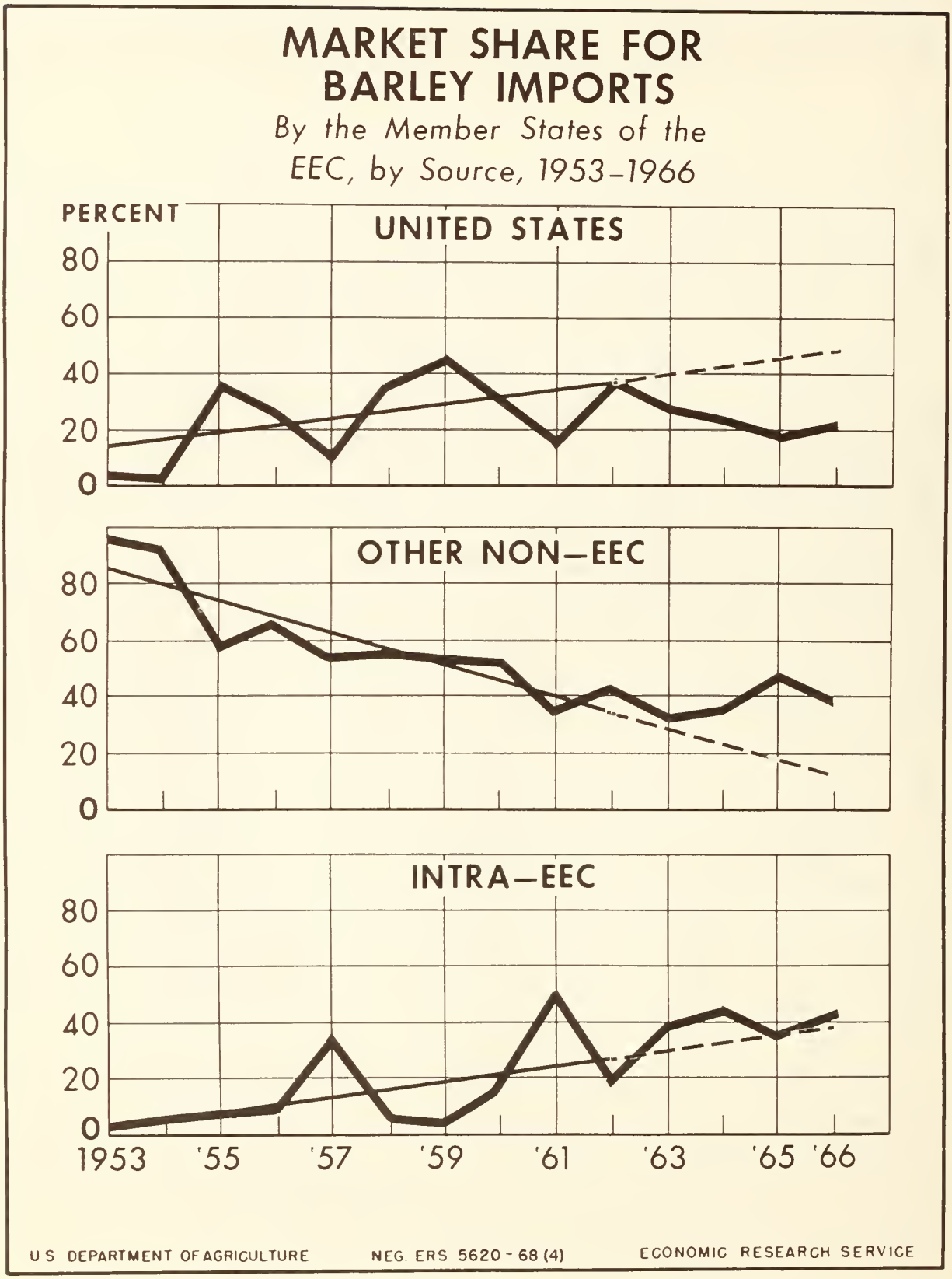
MARKET SHARE FOR BARLEY IMPORTS
By the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U S DEPARTMENT OF AGRICULTURE
NEG. ERS 5620 - 68 (4)
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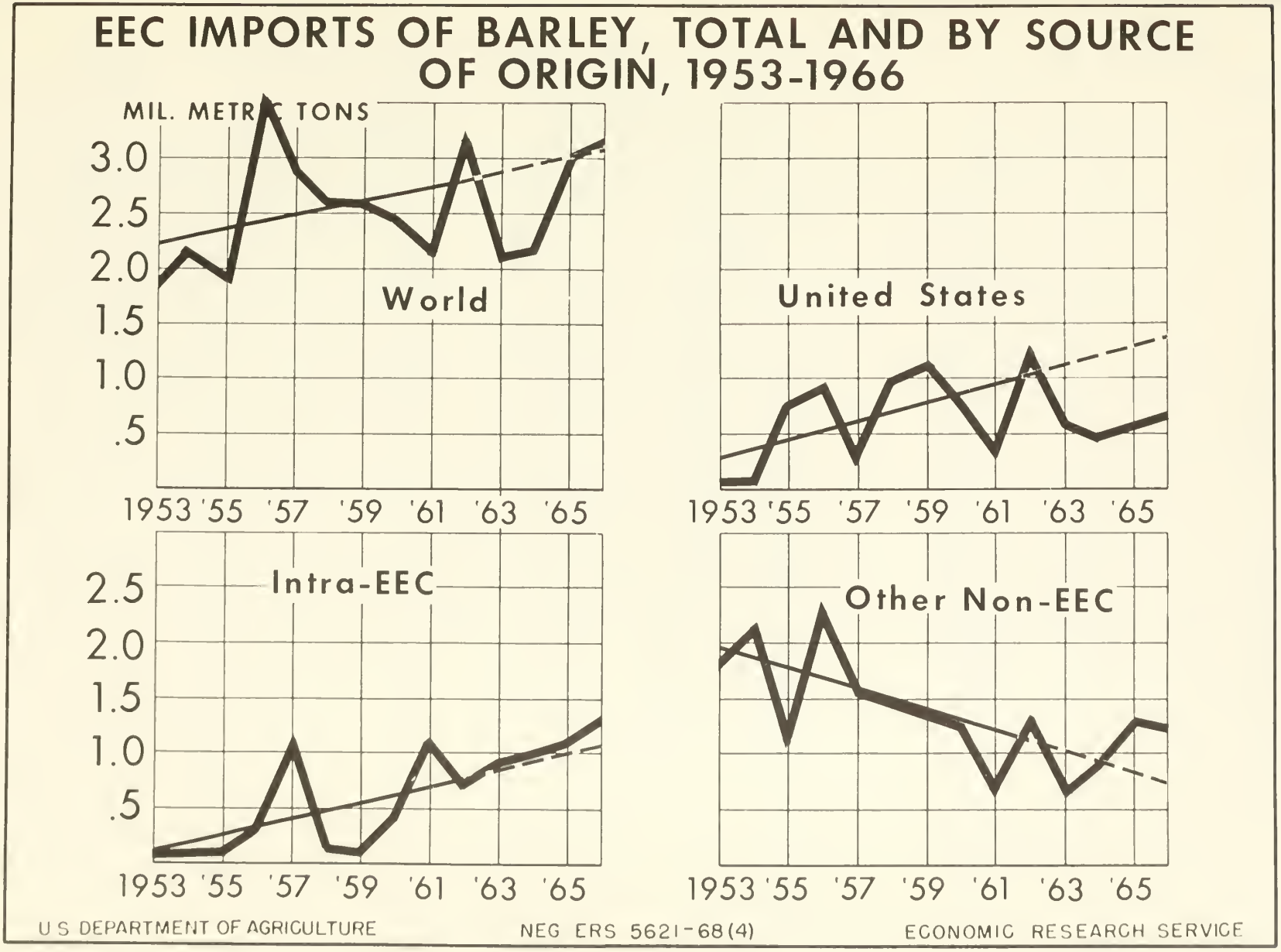
Figure 4


EEC IMPORTS OF BARLEY, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
3.0
2.5
2.0
1.5
1.0
.5
World
1953 '55 '57 '59 '61 '63 '65
United States
1953 '55 '57 '59 '61 '63 '65
2.5
2.0
1.5
1.0
.5
Intra-EEC
1953 '55 '57 '59 '61 '63 '65
Other Non-EEC
1953 '55 '57 '59 '61 '63 '65
U S DEPARTMENT OF AGRICULTURE
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ECONOMIC RESEARCH SERVICE

Figure 5

An analysis of production data reveals that, in general, imports declined when production went up. When production remained relatively constant from year to year, imports increased, thereby reflecting an upward movement in the utilization of barley. However, the data for neither total consumption nor production show a significant shift after barley became subject to the variable levy. In addition, there has been very little deviation from trend of the quantity of barley in intra-EEC trade and, while the market share figures were about 8 percentage points above trend in 1963 and 1964 for intra-EEC trade, this does not seem very significant when fluctuations in the past are considered (fig. 5). Furthermore, the less-than-trend position for the United States in 1962-66 seems to be matched more by an improved position for other non-EEC nations than by any acceleration of intra-EEC trade. Thus, while the U.S. position since 1962 has dropped far below trend, other evidence does not suggest that the variable levy has had a dominating influence on trade patterns. However, any conclusion with regard to barley must be tempered to a fair degree since variations around all trends were fairly large.

Corn.

The United States has done quite well in exporting this commodity to the EEC, regardless of any negative effects of the variable levy. The United States increased its share of a rapidly growing market (figs. 6 and 7). Corn imports from all sources have increased at such a rate that even though the market share of other non-EEC countries declined after 1960, there was no corresponding decline in the quantity of corn exported by those countries to the EEC. The trend coefficient for corn imports was 491,000 metric tons in the base period and since 1962 imports have exceeded trend level. Average annual imports increased to 9.7 million metric tons, nearly a threefold increase from the base period. Corn imports equaled 7 percent of all grain-livestock imports in 1952-54; by 1964-66 they accounted for 13 percent. The increase in corn exports by the United States was equally impressive. Today, corn is the top foreign exchange earner for the United States of all commodities included in this study.

The increasing need to import corn is the result of increased consumption, indirectly through increased meat consumption, rather than a decline in production. From the 1956 crop year to the 1966 crop year, annual corn consumption in the EEC increased from 6.2 million to 15.4 million metric tons--an increase of about 1 million tons a year. Italy and France produce nearly all the corn in the EEC. Even with a constant level of production in Italy and an increasing level in France, the EEC on the whole is becoming less self-sufficient in corn. The degree of self-sufficiency in the 1956 and 1957 crop years equaled 70 percent. From this level there was a steady decline to around 44 percent in the 1965 and 1966 crop years.

As previously stated, the United States has been quite successful in meeting this demand. In the base period, the annual increase in corn imports from the United States on a trend basis was 220,000 metric tons; since then imports have been very much above trend indications. The U.S. market share in the base period was mostly unchanged, fluctuating around 38 percent, but there has been considerable improvement in 1963-66 with the market share figures

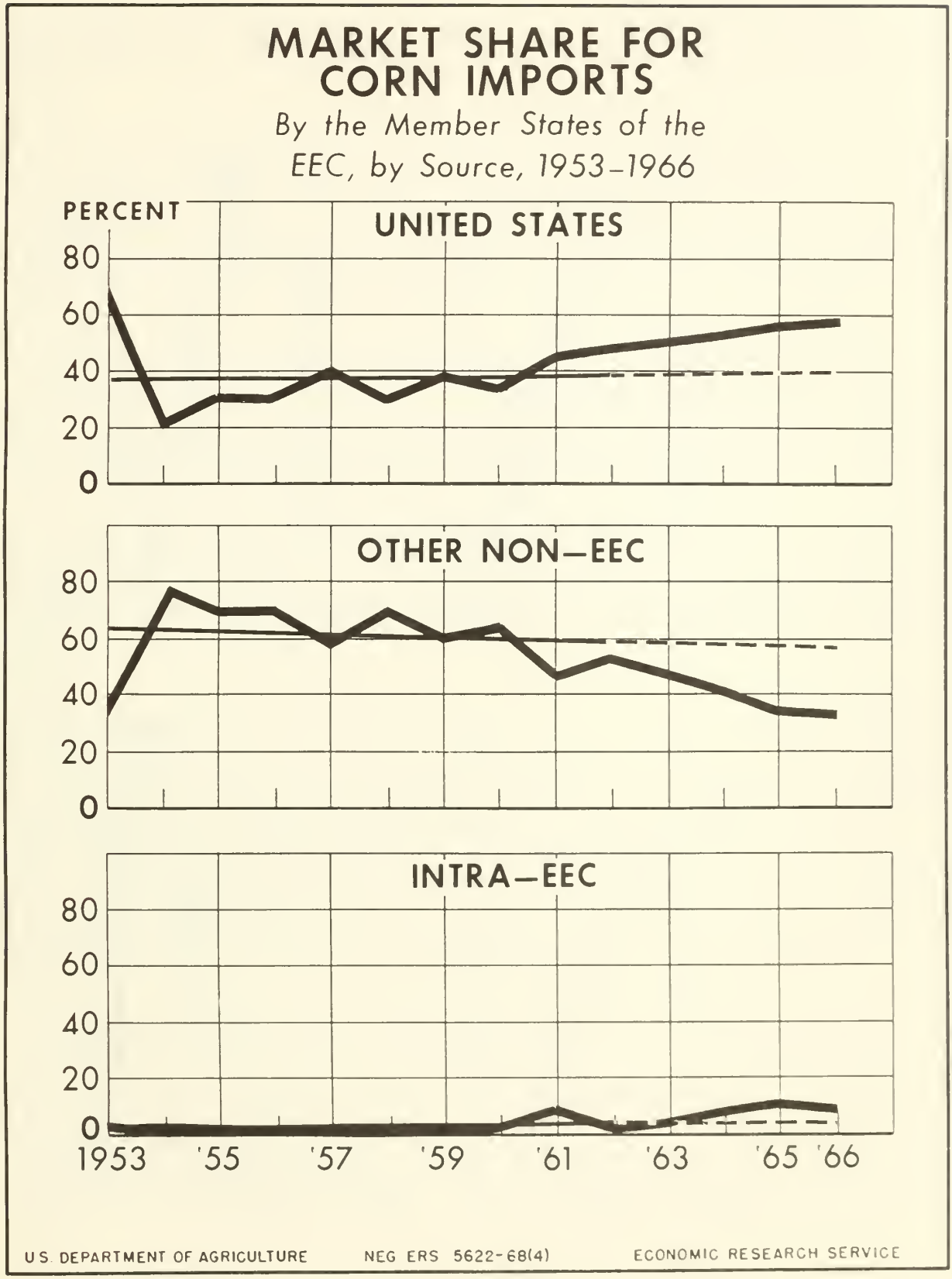
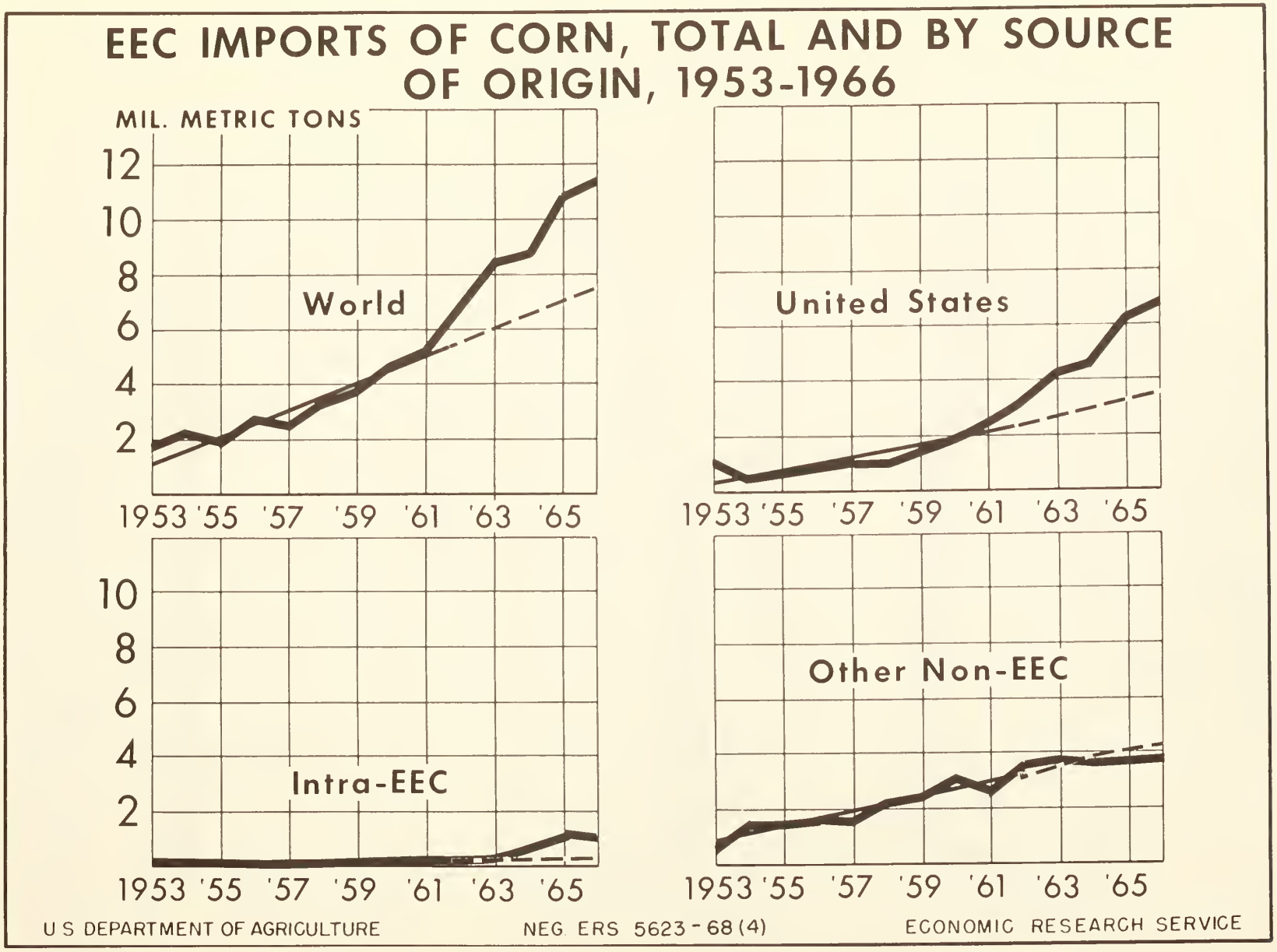

MARKET SHARE FOR CORN IMPORTS
By the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
80
60
40
20
0
OTHER NON—EEC
80
60
40
20
0
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U.S. DEPARTMENT OF AGRICULTURE
NEG ERS 5622-68(4)
ECONOMIC RESEARCH SERVICE

Figure 6


EEC IMPORTS OF CORN, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
12
10
8
6
4
2
World
1953 '55 '57 '59 '61 '63 '65
United States
1953 '55 '57 '59 '61 '63 '65
10
8
6
4
2
Intra-EEC
1953 '55 '57 '59 '61 '63 '65
Other Non-EEC
1953 '55 '57 '59 '61 '63 '65
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NEG. ERS 5623-68(4)
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Figure 7

considerably above trend. This improvement was due partly to EEC regulations which ended the Italian licensing preference on corn imports from Argentina and South Africa. 6/

Intra-EEC trade, while it has been increasing, especially since 1962, still accounts for only a small proportion of total trade, at most 10 percent. Italian exports to Germany largely accounted for the increase since 1962. During the transitional period, the prices paid by Italy for corn imports were much lower than those paid by Germany. According to all available information, the Italian exports to Germany were reexports of imported corn. Since the end of the transitional period (July 1, 1967), the loophole permitting this trade has been closed. 7/

During the base period, the market share of other non-EEC countries declined but not at a very significant rate. Since 1962, however, the market share figures have been far below trend and the average market share has dropped very sharply. Nevertheless, the quantity imported by the Common Market from other non-EEC countries increased on a trend basis 250,000 metric tons during the base period. The increase continued in the post-CAP period.

It is impossible to say what corn imports would have been in the absence of the variable levy during the transitional period. If the variable levy exercised a negative influence upon U.S. trade, then it necessarily follows that positive factors more than offset such an influence. A key factor, of course, is the increased demand for meat resulting from increased incomes in the Common Market countries.

Other Feed Grains.

It would appear that the variable levy has had a strong depressing influence on trade patterns for these commodities if the data for only the United States are reviewed (figs. 8 and 9). A strong upward trend in the share of the market for the United States changed to a horizontal movement in 1963-66. However, a strong downward trend for other non-EEC nations was stopped and the market share figure remained more or less constant in 1963-66. Intra-EEC trade accounts for only a small proportion of this trade and there has been no acceleration of it in the 1963-66 period. This evidence does not suggest that the variable levy has had a predominating influence on trade patterns.

Other feed grains include primarily rye, oats, and grain sorghum, the last of which is extremely important to the United States. The commodities in this classification are not a very important import by the EEC relatively speaking, accounting for only 4 percent of total grain-livestock imports in 1952-54 and 3 percent in 1964-66. The value of this trade, however, increased significantly between these two time periods. Imports of these commodities from the United States increased from 5.5 percent of total grain-livestock imports from the United States by the EEC in 1952-54 to 7.8 percent of the total in 1964-66.

6/ See Ann Miller, "Italy, a Leading Market for U.S. Corn," in Foreign Agricultural Trade, October 1967, p. 12.

7/ Ibid, pp. 13 and 14.

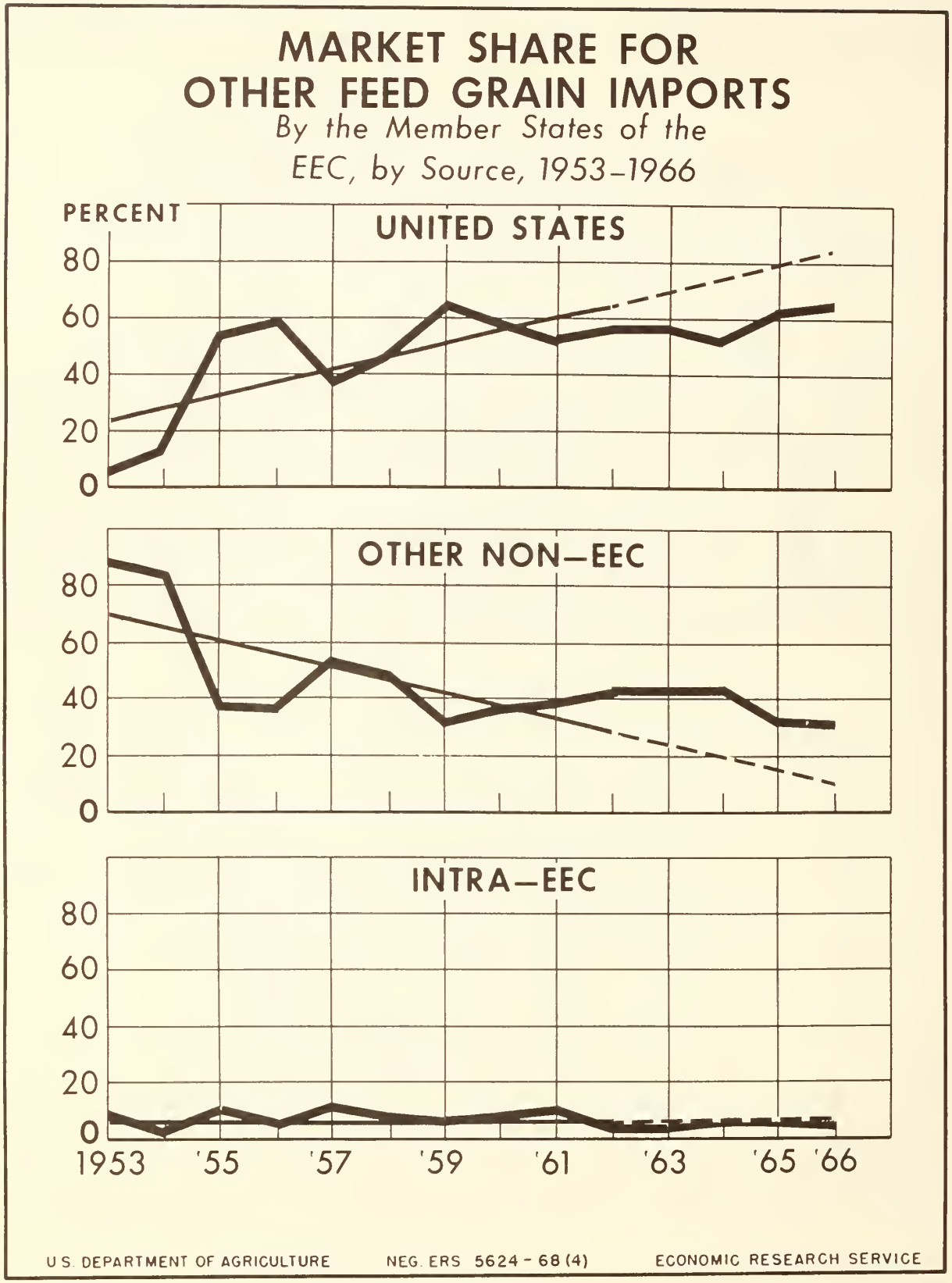
MARKET SHARE FOR
OTHER FEED GRAIN IMPORTS
By the Member States of the
EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 5624 - 68 (4)
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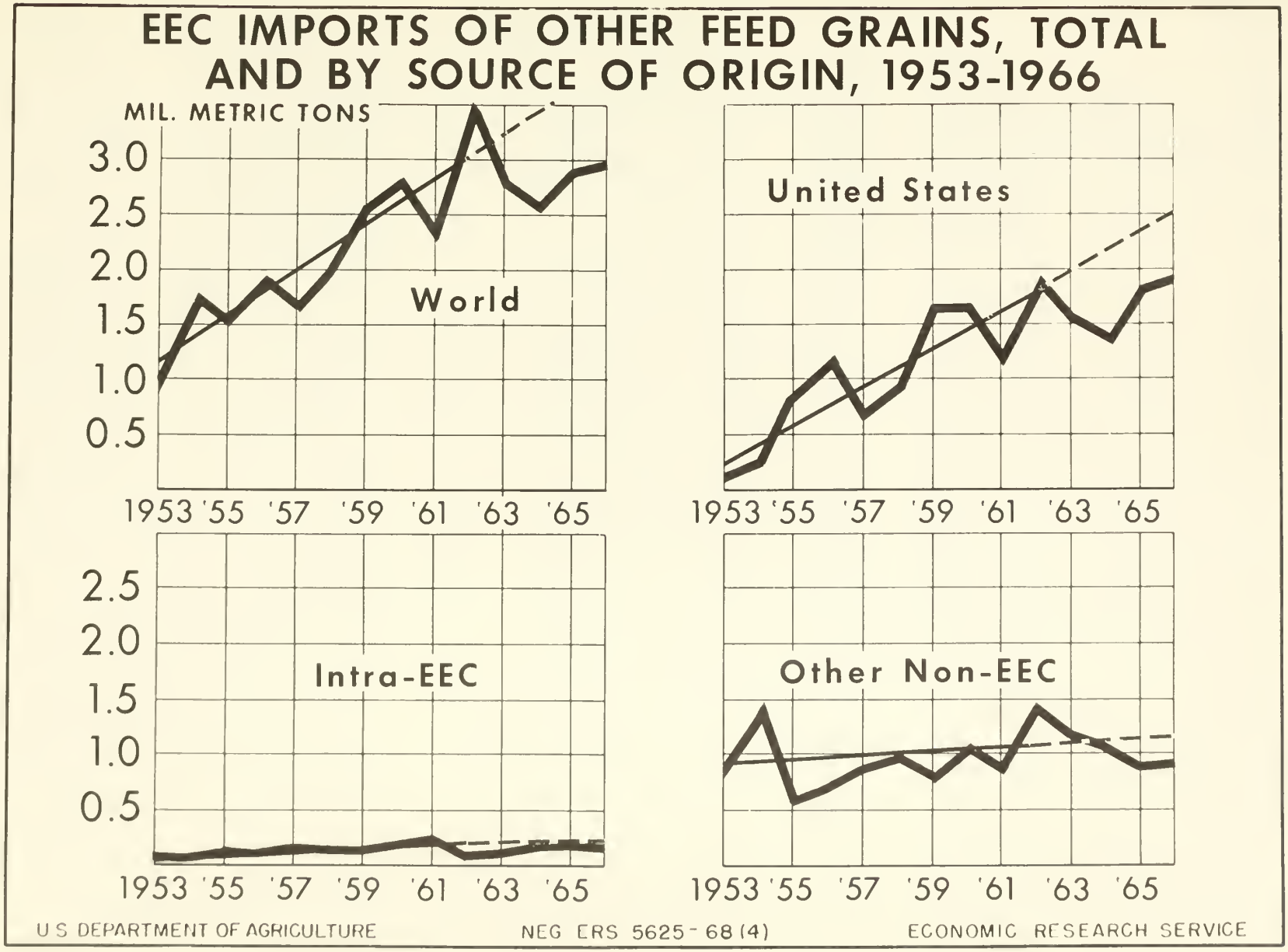
Figure 8


EEC IMPORTS OF OTHER FEED GRAINS, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
3.0
2.5
2.0
1.5
1.0
0.5
World
United States
Intra-EEC
Other Non-EEC
1953 '55 '57 '59 '61 '63 '65
U S DEPARTMENT OF AGRICULTURE
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ECONOMIC RESEARCH SERVICE

Figure 9

In the base period, the quantity of imports from all sources increased sharply. This change dovetailed with a gradual decline in self-sufficiency of these commodities in the EEC. The decline in self-sufficiency occurred even though there was a slight decline in consumption (that is, utilization) because production declined at a slightly faster pace. However, the decline in self-sufficiency leveled off during the transitional period as did the rise in imports. Since the trend for imports in the base period had been sharply upward, the leveling off of imports in 1963-66 resulted in a level of imports of 516,000 to 939,000 metric tons below trend, very significant magnitudes.

The less-than-trend position of the quantity of imports from all sources was paralleled by a similar position for all three of the component areas. However, the United States felt the impact the greatest. In the base period, the trend of imports from the United States had an upward slope of 176,000 metric tons per year but in 1963-66 these imports were 455,000 to 844,000 tons below trend.

The net result of changes in quantity is that the United States market share did not decline; it was 44 percent in the base period and 59 percent in 1963-66. However, the U.S. share did fall very significantly below trend because of the leveling off of a strong upward trend.

Intra-EEC trade accounts for a very small percentage of this trade (at most 11 percent) and it has shown little or no change over time. This being true, nearly all of the change in market share for the United States has been matched by an equal but opposite change for other non-EEC countries. Specifically, the trend for market share for these countries was strongly downward in the base period and in 1963-66 the share figure moved sideways resulting in a difference of 16 to 22 percentage points above trend. Since these nations and the United States are equally affected by the variable levy, the evidence does not suggest that on balance the variable levy has been a factor causing change in trade patterns.

Feed Grains.

Barley, corn, and other feed grains are included, that is, rye, oats, sorghum, etc. On balance, the market share for these commodities for the United States has been less than the extrapolated upward trend in 1963-66 but nevertheless the average market share in this period is much higher than in the prior decade (table 8 and fig. 10). For the other non-EEC nations, the situation was just the opposite--above trend in 1963-66 but a lower average. The market share data for intra-EEC trade continued a past upward trend, thus increasing the average in 1963-66. Regardless of the change in market share for the various areas, the quantity imported by the EEC from each area has increased greatly since 1953 (table 8 and fig. 11).

The average annual increase in market share for the United States in the base period was 2.5 percentage points. This is a fairly strong upward movement but some of the momentum was lost after 1962. Nevertheless, the average market share increased 14 percentage points between the two periods, from 35 to 49 percent. The Common Market increased annually the quantity of feed grain imports

Table 8.--EEC: Imports and market shares of feed and all grains

Commodity and source	Average imports		Trend analysis						
	Base period (1953-62)	1963-66	Base period (1953-62): Trend coefficient	S_{yx}	Difference between extrapolated trend values of market shares and actual values: 1963	1964	1965	1966	Ave.
	--1,000 metric tons--		1,000 metric tons						
Imports									
Feed grains: 1/									
United States	2,982	7,461	483.2	663	530	68	1,745	2,045	1,097
Other non-EEC	4,472	5,688	184.7	800	194	-366	2	-135	-77
Intra-EEC	603	1,957	103.9	384	51	503	959	995	627
World	8,057	15,106	771.7	955	775	205	2,705	2,905	1,648
All grains: 2/									
United States	4,456	8,733	456.0	835	280	-66	1,572	2,555	1,085
Other non-EEC	7,799	8,147	196.4	1,029	-560	-1,506	-684	-1,358	-1,027
Intra-EEC	1,222	2,604	147.7	386	-435	248	851	716	345
World	13,477	19,484	800.1	1,315	-715	-1,324	1,738	1,924	406
	Percent		Percentage points						
Market shares									
Feed grains: 1/									
United States	35.1	49.1	2.5	6.9	-1.6	-4.6	-3.2	-4.1	-3.4
Other non-EEC	57.7	38.1	-3.2	6.9	3.4	3.1	1.7	3.3	2.9
Intra-EEC	7.2	12.8	.7	5.1	-1.8	1.5	1.5	.9	.5
All grains: 2/									
United States	32.3	44.5	1.3	4.8	2.4	1.2	2.0	5.1	2.7
Other non-EEC	58.8	42.3	-2.0	5.4	.6	-2.3	-3.5	-5.5	-2.7
Intra-EEC	8.9	13.2	.6	3.1	-3.0	1.1	1.5	.3	0

1/ Includes barley, corn, and all other feed grains (rye, oats, sorghum, etc.).
2/ Includes feed grains, wheat, and wheat equivalent of wheat flour, but not rice.

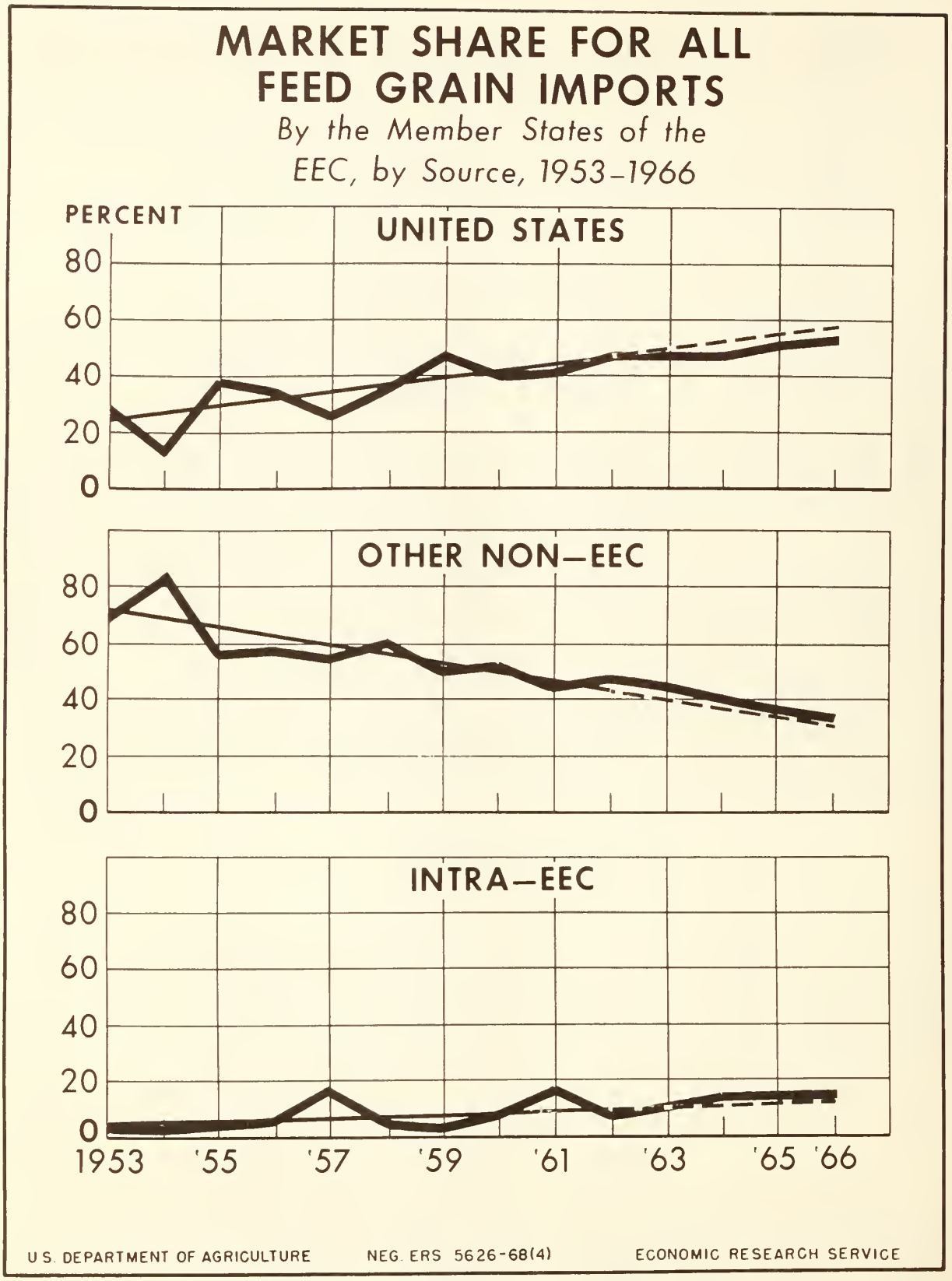
MARKET SHARE FOR ALL FEED GRAIN IMPORTS
By the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 5626-68(4)
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Figure 10

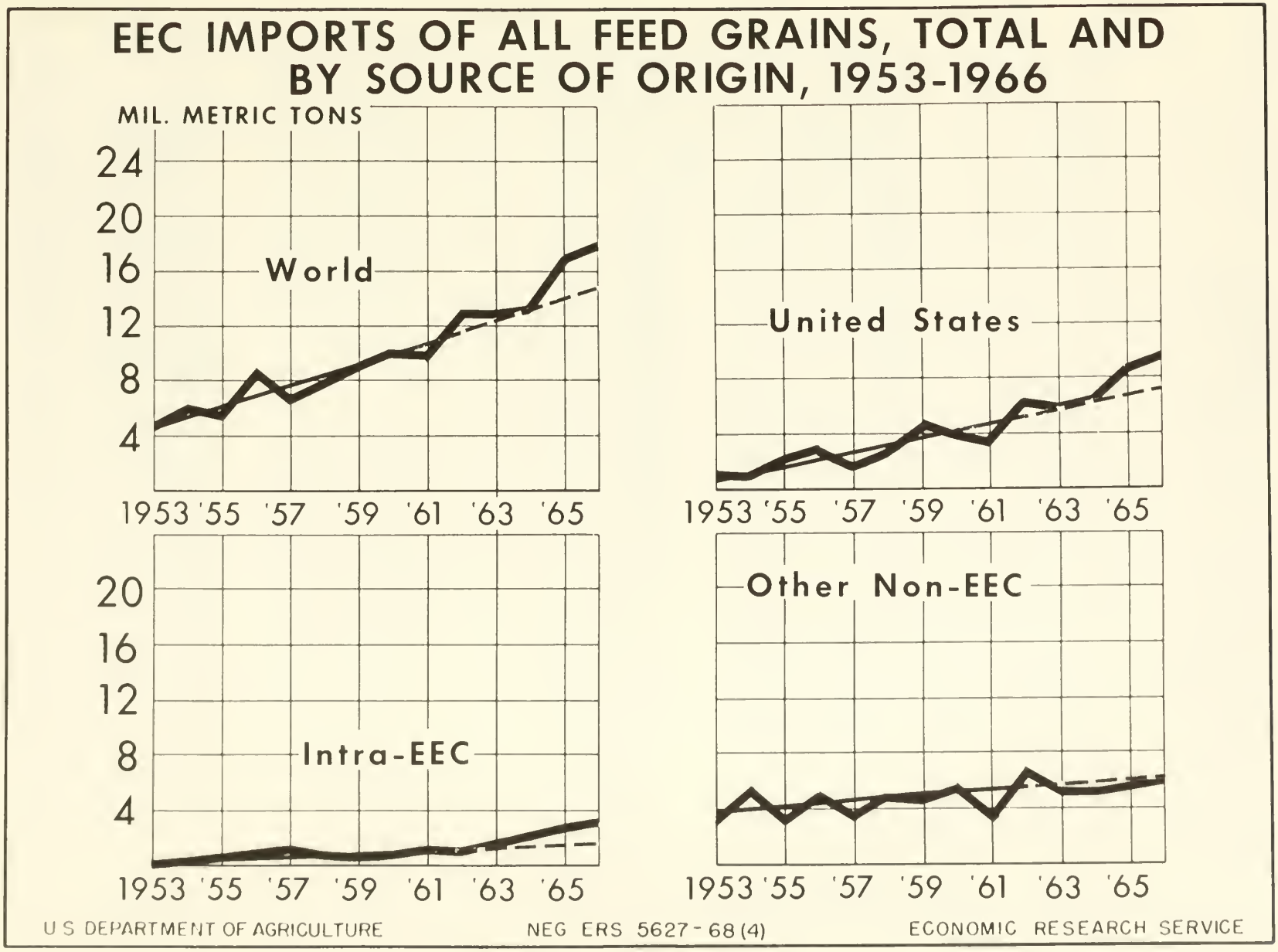
EEC IMPORTS OF ALL FEED GRAINS, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
World
United States
Intra-EEC
Other Non-EEC
24
20
16
12
8
4
1953 '55 '57 '59 '61 '63 '65
U S DEPARTMENT OF AGRICULTURE
NEG ERS 5627-68(4)
ECONOMIC RESEARCH SERVICE

Figure 11

from the United States by 483,000 metric tons in the base period and the quantity of imports was above trend in each year during 1963-66, especially in 1965 and 1966 when corn exports were far above trend. Average imports from the United States increased from nearly 3 million metric tons to 7.5 million, a 150 percent increase due mostly to corn but also partly due to an increase in other feed grains.

The trend on the market share data for other non-EEC nations was sharply downward in the base period. The figures were a little above trend in 1963-66, indicating a slight leveling-off of the downward trend. The average market share dropped from 58 percent in the base period to 38 percent in the latter period. Even with this drop, the EEC is importing one-fourth more in quantity from these nations after 1962 than before. The quantity imported after 1962 has been more or less on the base period trend.

The base period trend on market share for intra-EEC trade showed a relatively small annual increase from which there was little deviation in 1963-66. The average market share increased from 7 percent to 13 percent. The quantity of feed grain imports increased annually over 100,000 metric tons on a trend basis and in 1965 and 1966 the trade in feed grains was very significantly above trend. Shipments of corn were primarily responsible for this and for imports from the United States being above trend in these 2 years. The increase in annual average trade in feed grains from 1953-62 to 1963-66 was over 200 percent.

In total, the six Member States increased feed grain imports by 770,000 metric tons a year in 1953-62. Although the CAP has been in effect since the latter part of 1962, there has been no slowing down of trade in feed grains. On the contrary, in 1965 and 1966 this trade far exceeded trend levels. The annual average of 8.1 million metric tons imported in 1953-62 increased to 15.1 million metric tons in 1963-66, an 87 percent increase.

All Grains.

Feed grains, wheat, and wheat flour are included, but not rice. In many respects, an analysis of all grains is little different from an analysis of all feed grains. The trend coefficients in the base period for market shares for each commodity group point in the same direction although the magnitudes were somewhat smaller for all grains (table 8 and fig. 12). Changes in the various average market shares from the base period to 1963-66 were also in the same direction.

However, in some respects there are differences. The U.S. market share of all grain was above trend in 1963-66 and the position for other non-EEC nations was below. The opposite is true when only feed grains are considered. While wheat and wheat flour imports by the EEC from all sources fell far below trend levels after 1962, the relative decline was even greater for imports from other non-EEC countries. This would increase the U.S. share and decrease that for other non-EEC nations since there was little change in intra-EEC trade; the influence of wheat and wheat flour on the overall grain total is great enough to change the situation.

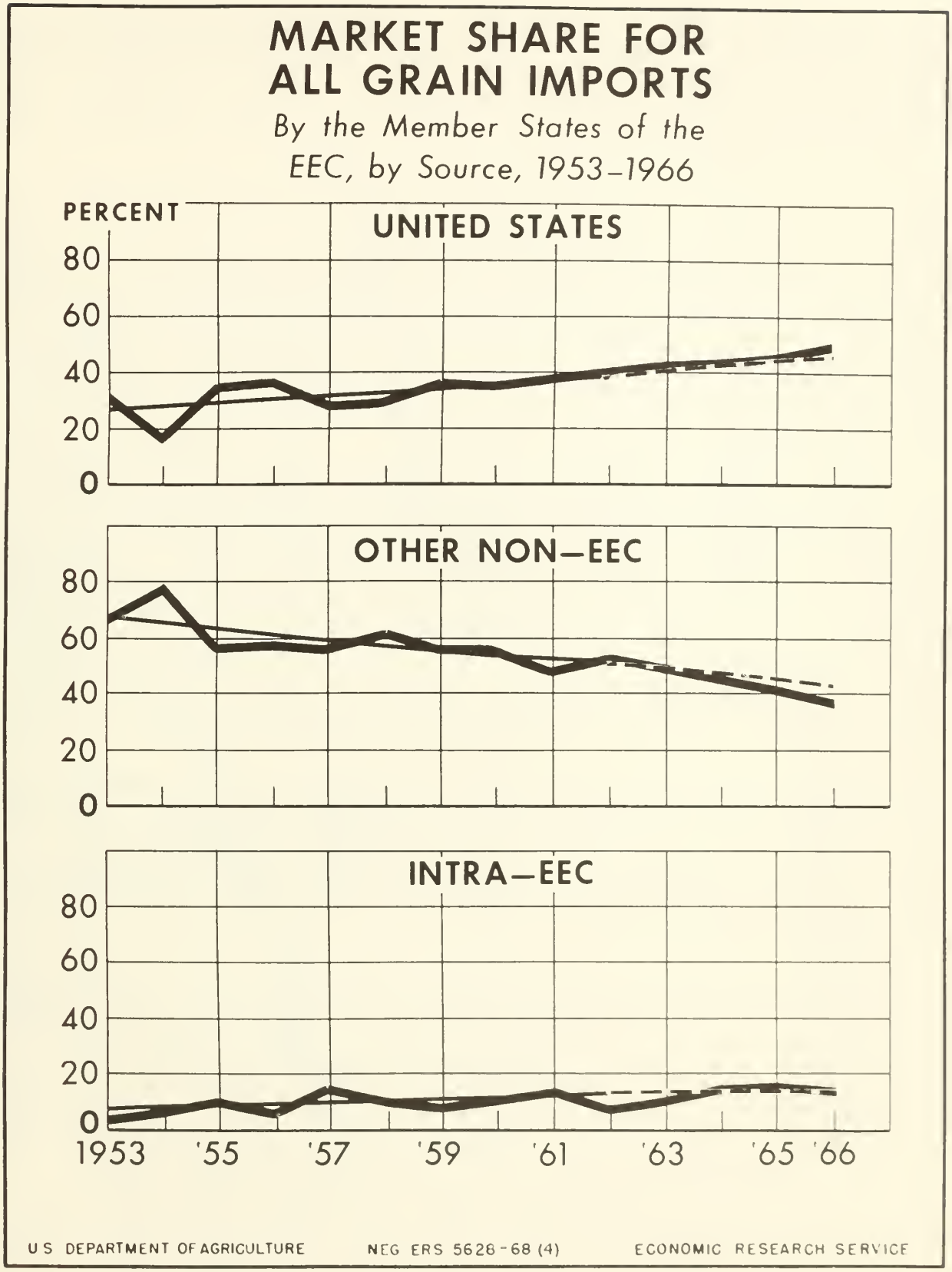
MARKET SHARE FOR
ALL GRAIN IMPORTS
By the Member States of the
EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U S DEPARTMENT OF AGRICULTURE
NEG ERS 5628-68 (4)
ECONOMIC RESEARCH SERVICE

Figure 12

Also, the influence of wheat and wheat flour on changes of quantity after 1962 is seen in the very significant less-than-trend position for other non-EEC countries with respect to all grains (fig. 13). For feed grains only, the data show a position closer to trend for this group of countries. In general, the data on quantity for 1963 and 1964 for all grains were below trend due to drops in wheat and wheat flour imports.

Meat.

The EEC imports substantial quantities of meat and the ratio of meat to all grain-livestock imports is increasing. In 1964-66, meat accounted for nearly 19 percent of the commodities included in this report whereas in 1952-54 it accounted for only 6.2 percent. In 1964-66, EEC imports of meat from the United States accounted for 5.7 percent of all grain-livestock commodities imported from the United States--in 1952-54 the proportion was 4.1 percent. Notwithstanding this change, the U.S. market share deteriorated after 1962 (table 9 and fig. 14).

"Meat" as a group includes beef, pork, poultry, and a few other products. These products may be processed in a number of ways (fresh, frozen, canned, salted, etc.) and may or may not be subject to the variable levy. The group includes three of the SITC groupings at the 3-digit level (011, 012, 013) and an analysis on this basis could have been made. However, these three groupings are not a meaningful breakdown for the purposes of this report because the commodities are classified in the SITC by type of processing whereas the EEC used the type of meat in constructing the variable levy system. Data on meat at the 4-digit level, that is, meat by type and by type of processing, unfortunately are available only from 1961--too short a period to perform a trend analysis. Consequently, meat is analyzed as one commodity.

Because of the heterogeneity in this classification, market shares are based on value data. No attempt is made to trace either the quantity or value imported over time. A combination of quantity figures is meaningless and because of price changes over time, trends computed on values may lead to erroneous conclusions regarding the volume of trade involved. Adjustments for price changes might be made but because of the diversity of commodities such a task becomes a study in itself.

The EEC has never obtained a very large proportion of its import requirements from the United States and the trend for market share has been nearly flat. However, in 1962 the U.S. market share increased to a high of 15 percent reflecting primarily increased trade in poultry. With the advent of the variable levy on poultry meat and pork, the U.S. share dropped to 7 percent in 1963 and has remained close to this level throughout 1963-66. At the level of 7 percent the U.S. market share is several percentage points below trend level.

For intra-EEC trade, the data show that there was no rapid increase in this trade after 1962. In fact, the figures are slightly below trend levels in each of these years except in 1963. The trend in the base period was upward, increasing by 1.1 percentage points a year. The average market share increased from 32.4 percent in the base period to 38.6 percent in 1963-66.

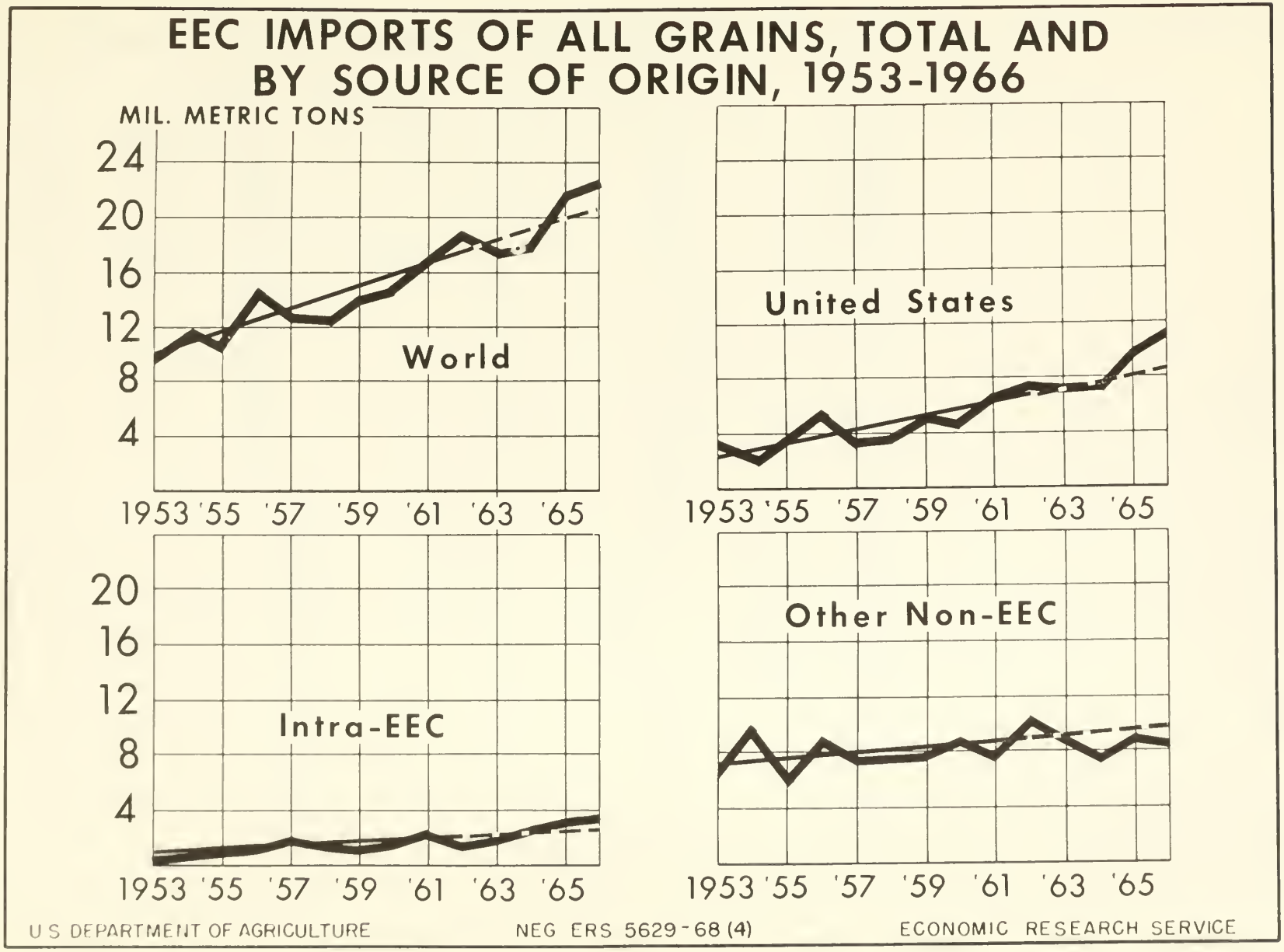
EEC IMPORTS OF ALL GRAINS, TOTAL AND BY SOURCE OF ORIGIN, 1953-1966
MIL. METRIC TONS
24
20
16
12
8
4
World
United States
Intra-EEC
Other Non-EEC
1953 '55 '57 '59 '61 '63 '65
U S DEPARTMENT OF AGRICULTURE
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Figure 13

Table 9.--EEC: Market shares for meat imports

Source	Average market shares		Trend analysis						
	Base period (1953-62)	1963-66	Base period (1953-62): Trend coefficient	Base period (1953-62): S_{yx}	Difference between extrapolated trend values of market shares and actual values: 1963	1964	1965	1966	Ave.
	Percent		Percentage points						
United States..	10.7	7.2	0.3	2.6	-4.9	-4.2	-5.6	-6.6	-5.3
Other non-EEC..	57.0	54.2	-1.4	6.8	4.1	7.8	6.1	8.7	6.7
Intra-EEC.....	32.4	38.6	1.1	4.9	.8	-3.5	-.5	-1.9	-1.3

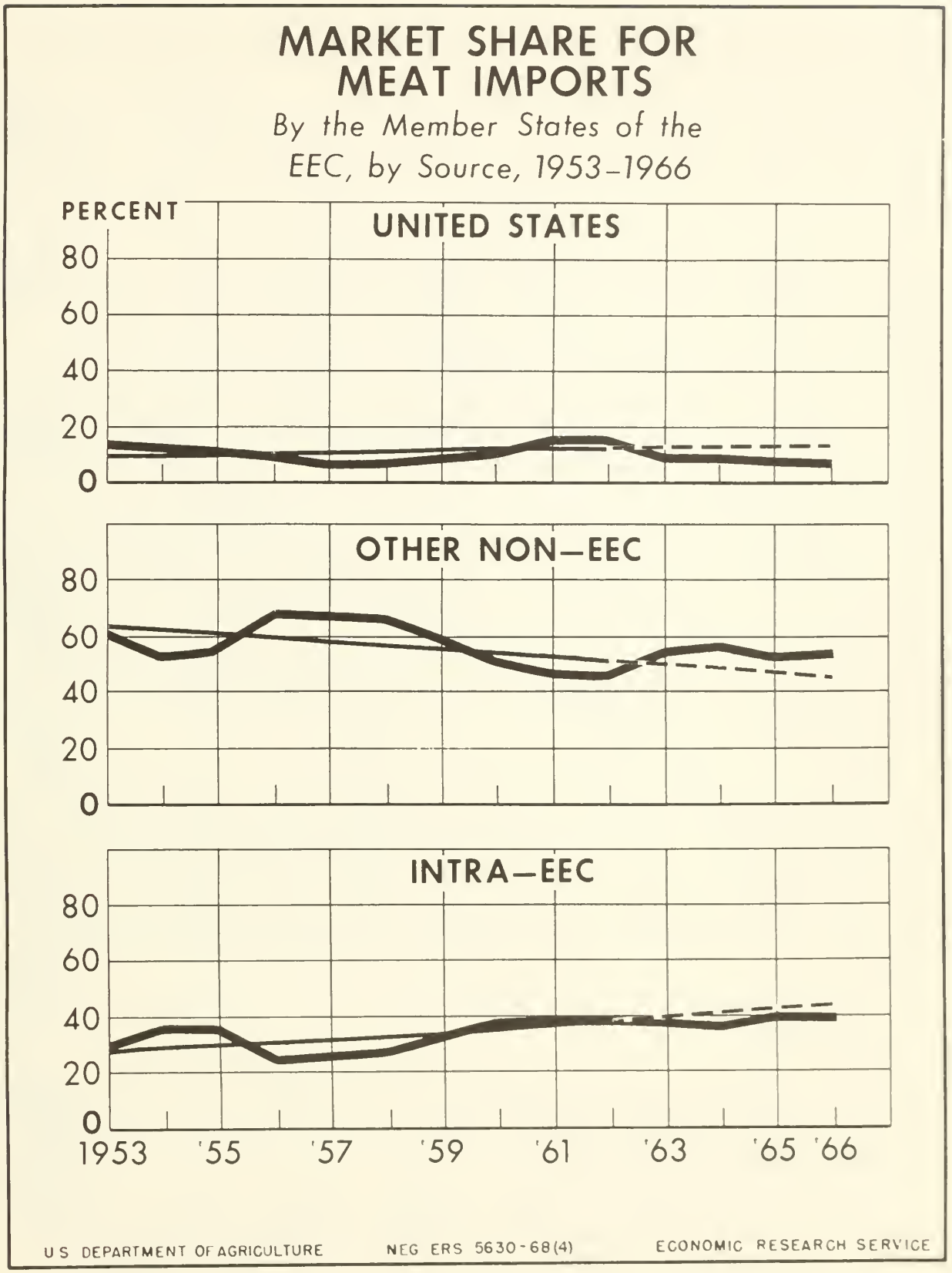
MARKET SHARE FOR MEAT IMPORTS
By the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U S DEPARTMENT OF AGRICULTURE
NEG ERS 5630-68(4)
ECONOMIC RESEARCH SERVICE

Figure 14

For other non-EEC countries, the trend on market share in the base period was down 1.4 percentage points a year. In 1963, the market share for these countries increased 8 percentage points over that for 1962, the same year the rate for the United States declined by an equal amount. In subsequent years, the market share for these countries remained virtually unchanged at this higher level; similarly, the figures for the United States remained virtually unchanged at the lower level. The combination of movements placed the other non-EEC countries above trend in 1963-66, just as they had placed the United States below trend.

Since the United States and other non-EEC nations are equally affected by the levy, it appears that the variable levy has not been a force strong enough to change aggregate trade patterns. However, this interpretation does not necessarily follow. Some meat is subject to the levy and some is not. The effect of the variable levy may be disguised by counterbalancing movements within the aggregation. This point is clearly seen in an analysis of U.S. exports of poultry and variety meats to the Common Market. (Although variety meats are subject to the variable levy, the import duties are bound in GATT.) As indicated by figure 15, poultry meat exports, primarily chicken, almost reached the $50 million level in 1962. After the levy on chickens was introduced, this trade declined by nearly 50 percent in 1963 and by 60 percent in 1966. On the other hand, exports of variety meats increased enough from 1962 to 1966 to offset by more than 65 percent the $25 to $30 million decline for poultry meat. It is apparent that in the short run the variable levy has hurt U.S. poultry exports although the full impact is disguised in the aggregate data for meat. It can be argued that regardless of the policy in force, in the long run the adoption in the Common Market of advanced technology in poultry production would have lessened the EEC's need for chicken imports, but the high level of protection afforded by the levies appears to have stimulated the rate of technology adoption.

In conclusion, the U.S. market share declined after 1962 and there is strong evidence showing that the variable levy at least in part caused this decline. The data do not reflect the fact that the United States has tried very hard to develop a market in the EEC for top quality U.S. beef only to have these efforts negated by the variable levy system. At the same time, the position of other non-EEC nations improved in this period and there was no rapid increase in intra-EEC trade, suggesting that the variable levy has not as yet become the predominating influence on trade patterns for all meats.

Other Commodities.

There are eight commodities partially or entirely subject to the variable levy that are of importance to the United States but make up a smaller share of total U.S. exports. A full analysis of these is not attempted but a statement or two about several is worthwhile.

Although the EEC obtained only an insignificant proportion of eggs from the United States (never as much as 1 percent), the probabilities are small that the proportion will increase. Since 1960, the EEC nations have been

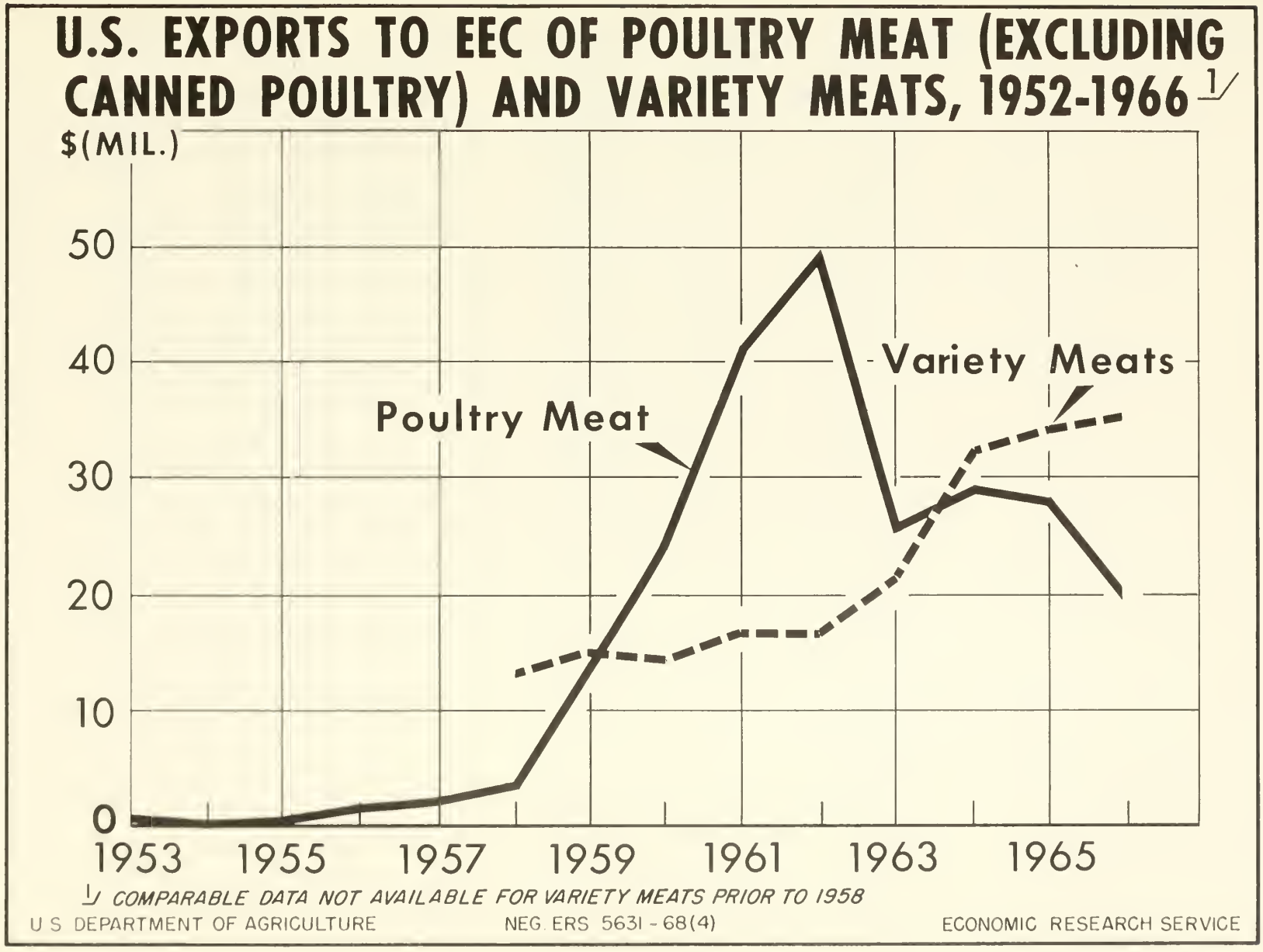
U.S. EXPORTS TO EEC OF POULTRY MEAT (EXCLUDING CANNED POULTRY) AND VARIETY MEATS, 1952-1966 1/
$(MIL.)
50
40
30
20
10
0
1953
1955
1957
1959
1961
1963
1965
Poultry Meat
Variety Meats
1/ COMPARABLE DATA NOT AVAILABLE FOR VARIETY MEATS PRIOR TO 1958
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 5631-68(4)
ECONOMIC RESEARCH SERVICE

Figure 15

importing fewer and fewer eggs, from within or from outside the EEC. There was a 64 percent decline between 1960 and 1966.

In terms of quantity and market share, the EEC was an expanding rice market for the United States in the base period. By 1964, the Six imported 29 percent of their rice imports from the United States. The CAP regulations for rice became effective September 1, 1964, and in 1965 Italy cut deeply into this market reducing the U.S. share to 20 percent. Particularly hard hit was the U.S. market in Germany, the Common Market's largest importer. In 1966, the U.S. share climbed back to 25 percent, but this was far below the extrapolated trend value for that year. The quantity of rice imported was 20,000 to 64,000 metric tons below trend in 1963-66. In 1966, it was 29,000 tons below trend.

From 1952 through 1962, EEC imports of milk and cream (mostly nonfat dry milk) from the United States accounted for less than 6 percent of total imports of these products, with the single exception of the 16 percent recorded in 1959. However, in 1963, 1964, and 1965 the corresponding figures were 23, 47, and 22 percent respectively. 8/ The average quantity was 97,000 metric tons for these 3 years. In 1966, the U.S. market share had returned to a more normal level, 6.5 percent, but this is associated with trade amounting to 33,000 tons. With the sudden rise in this trade in 1963 and the partial but considerable decline by 1966, it is difficult to draw firm conclusions. Even though trade at 33,000 tons is far above the level in the base period, it is considerably below the 160,000 ton record in 1964, the last year in which trade was free from the variable levy (except the last 2 months of the year).

The story on butter is more or less the same as that for milk and cream. The EEC was a small market for the United States from 1953 through 1962. In 1963, 1964, and 1965, imports were at a significant level averaging 14,000 metric tons, but they declined in 1966 to a more usual level, 1,000 tons.

COMMODITIES FREE FROM THE VARIABLE LEVY

Feedstuffs.

This classification includes livestock feeds other than unmilled grains. These feeds are both competitive with and a supplement to feed grains and therefore are affected indirectly by the variable levy system. Commodities in the classification are hay and fodder, byproducts of cereal grains and vegetables, oilseed cake and meal, meat and fish meal, and food waste (such as beet pulp). By far the most important to the United States in its trade with the Common Market was soybean oilcake and meal, which in 1964-66 accounted for over 75 percent of U.S. feedstuff exports to the EEC.

Feedstuffs have grown in importance over the years covered in this report. Between 1952-54 and 1964-66, there was nearly a sixfold increase in the value of Common Market imports. As a percentage of total grain-livestock imports, feedstuffs grew from 5 to 12.5 percent.

8/ For milk and cream, the variable levy became effective Nov. 1, 1964.

The relative growth in imports from the United States has been even larger. In 1952-54, the annual average was only $4 million, representing only 1 percent of the grain-livestock imports. In 1964-66, the EEC imported on the average $157 million annually; this accounted for nearly 13 percent of all grain-livestock imports.

With this increase in value, the U.S. market share increased at the rate of 0.8 percentage point a year from 1953 to 1962. Since then, its share has increased at an increasing rate, moving further and further above an upward trend (table 10 and fig. 16). Most of the gain in market share by the United States came at the expense of (1) intra-EEC trade during the base period and (2) EEC trade with other non-EEC nations since 1962. Intra-EEC trade declined by 0.8 percentage point during the base period and the other non-EEC nations have been anywhere from 4 to 11 percentage points below trend in the 1963-66 period.

The average U.S. market share in 1963-66 was over 2.5 times larger than it was in 1953-62. At the same time, there was a decline for other non-EEC nations and for intra-EEC trade. By any method of comparison, the data lead to a conclusion favorable to the United States.

Oilseeds.

The United States has been significantly increasing its foreign exchange earnings from oilseeds, an important import by the EEC. Approximately 94 percent of these oilseeds were soybeans in 1964-66. In this period, oilseeds were second only to meat in relative importance of EEC imports from all sources, accounting for 14 percent of all grain-livestock commodities. Oilseed imports were slightly more important in 1952-54, when they were second only to wheat and accounted for 15.4 percent of the commodities included in this report. From 1952-54 to 1964-66, the value of oilseed imports more than doubled.

In regard to imports from the United States, oilseeds are even more important. They accounted for nearly one-fourth of all grain-livestock commodities imported from the United States in 1964-66 and were second only to corn. In 1952-54, oilseeds were third, falling below wheat and corn. In value terms, oilseeds increased eight fold between 1952-54 and 1964-66.

Practically all oilseeds are imported by the Member States from nonmember nations. More than 50 percent comes from countries other than the United States but the trend was strongly upward for the United States in the base period (fig. 17). After 1962, the share figure for the United States more or less followed trend, although in 1964 it was somewhat above. If the 1953-62 trend continues, as it has so far, the United States will supply more than 50 percent of the EEC's import requirements before 1971. The average market share increased from 22.1 percent in the base period to 39.4 percent in 1963-66, an increase of nearly 80 percent. Soybeans have been the primary commodity accounting for this upward push.

The position of the other non-EEC nations declined in the base period, a trend which more or less continued after 1962. The rate of decline was the

Table 10.--EEC: Market shares for major commodities not subject to variable levy

Commodity and source	Average market shares		Trend analysis						
			Base period (1953-62)		Difference between extrapolated trend values of market shares and actual values				
	Base period (1953-62)	1963-66	Trend coefficient	S_{yx}	1963	1964	1965	1966	Ave.
	Percent		Percentage points						
Feedstuffs:									
United States	8.6	22.6	0.8	3.1	6.6	6.3	8.8	10.8	8.1
Other non-EEC	67.4	59.2	-.1	5.6	-4.2	-8.2	-7.9	-11.1	-7.8
Intra-EEC	24.0	18.2	-.8	4.0	-2.4	1.9	-.9	.3	-.3
Oilseeds:									
United States	22.1	39.4	2.3	2.4	.4	5.3	-1.0	-.4	1.1
Other non-EEC	76.9	58.3	-2.3	2.4	-1.2	-6.7	-.1	-.6	-2.2
Intra-EEC	1.0	2.2	0	.2	.8	1.4	1.2	.9	1.1
Animal oils & fats:									
United States	44.8	44.8	-.4	6.7	-7.3	-4.5	14.4	7.7	2.6
Other non-EEC	45.8	30.3	-1.0	5.1	5.4	5.0	-23.9	-20.3	-8.5
Intra-EEC	9.4	24.8	1.4	2.2	1.9	-.5	9.4	12.6	5.8
Vegetable oils, unprocessed:									
United States	12.9	6.5	.1	6.2	-8.7	-4.3	-3.4	-10.6	-6.7
Other non-EEC	78.5	84.3	.5	5.1	7.0	.1	-2.0	3.8	2.2
Intra-EEC	8.6	9.2	-.6	1.4	1.7	4.1	5.5	6.8	4.5

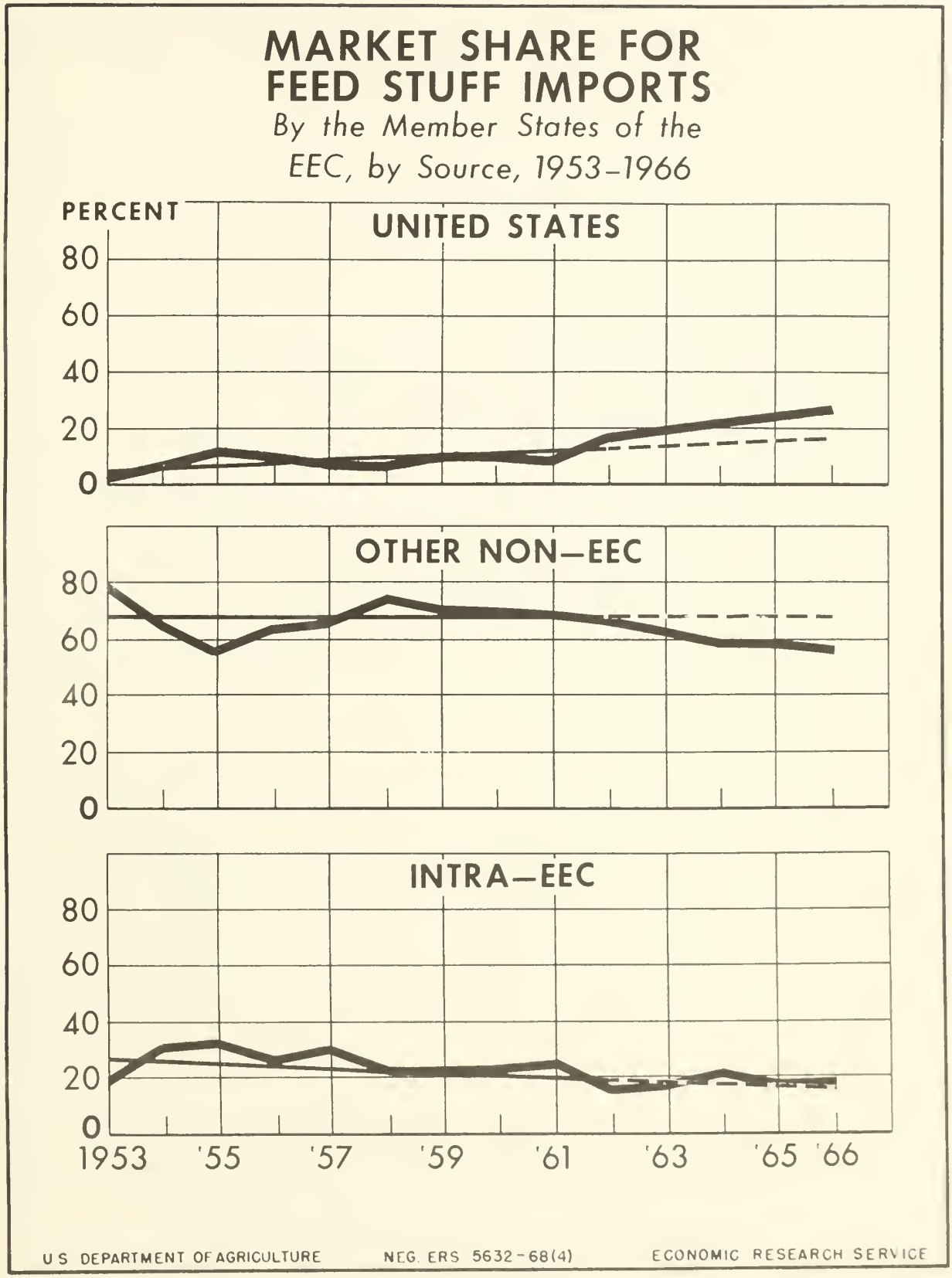
MARKET SHARE FOR
FEED STUFF IMPORTS
By the Member States of the
EEC, by Source, 1953–1966
PERCENT
UNITED STATES
80
60
40
20
0
OTHER NON—EEC
80
60
40
20
0
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
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Figure 16

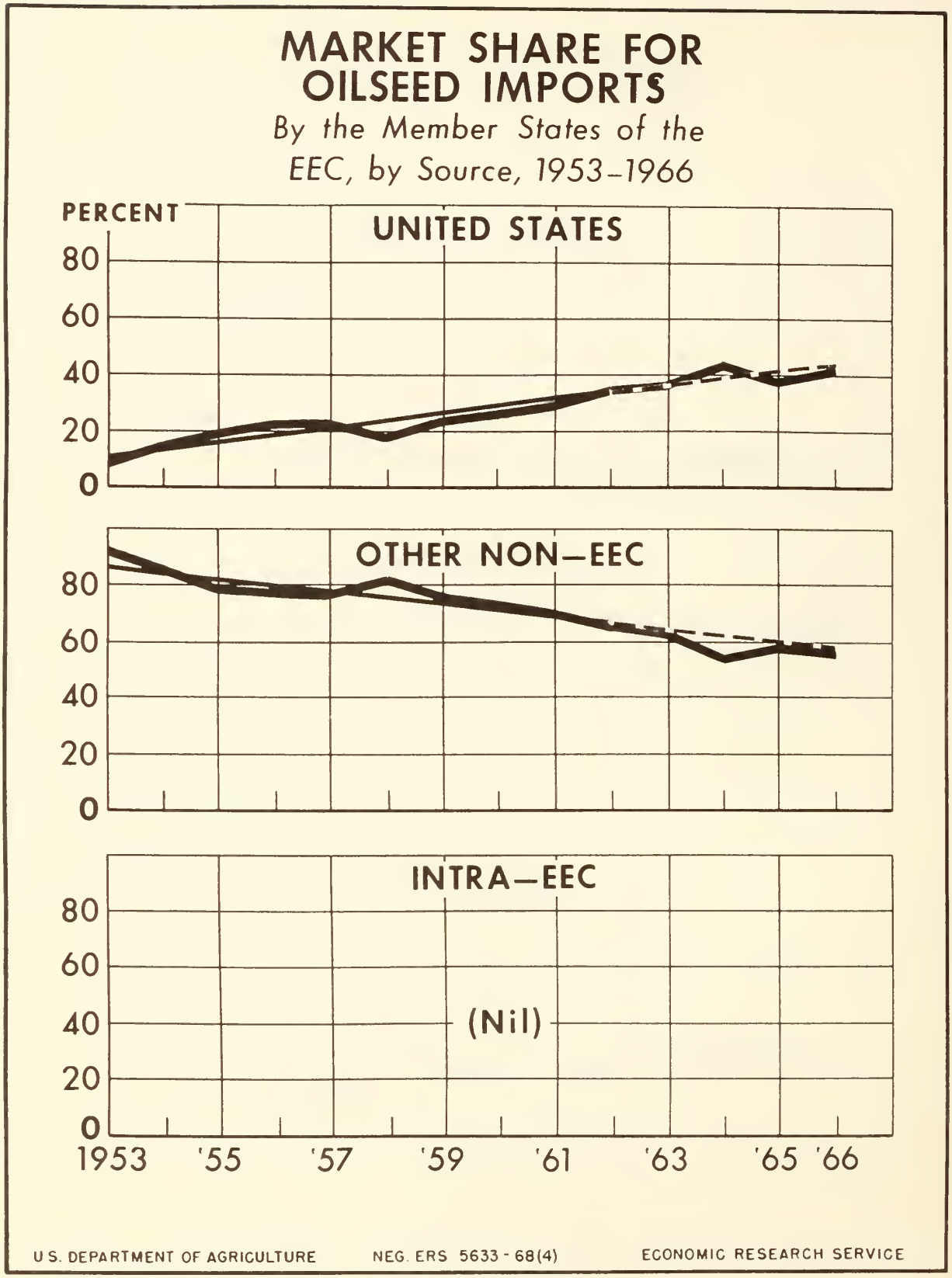
MARKET SHARE FOR OILSEED IMPORTS
By the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
80
60
40
20
0
OTHER NON—EEC
80
60
40
20
0
INTRA—EEC
80
60
40
20
0
(Nil)
1953
'55
'57
'59
'61
'63
'65
'66
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS 5633-68(4)
ECONOMIC RESEARCH SERVICE

Figure 17

same as the rate of increase for the United States and the average market share dropped from 77 percent to 58 percent, a decline of 19 percentage points or nearly the same as the increase for the United States.

The improvement for the United States and the deterioration for the other non-EEC nations was primarily caused by the increased importance of soybeans in the oilseed group. Since the United States exports over 90 percent of the soybeans in world trade, it could be expected that the U.S. position would improve as soybean imports increased in importance.

Soybeans.

As already noted, soybeans are a very important export of the United States. In using the SITC, this importance is not clearly evident because soybeans are often crushed before shipping and subsequently they enter foreign trade as oil and oilcake and meal. In the SITC, the oil is classified with unprocessed vegetable oils and the oilcake and meal with feedstuffs. All uncrushed beans entering foreign trade are classified with oilseeds. Although the necessary data on an exactly comparable basis are not available, it is estimated that in 1964-66 nearly a third of the U.S. grain-livestock exports to the EEC were soybeans, mostly in the form of beans as such although a considerable proportion also went as oilcake and meal. Very little soybean oil was exported to the EEC. The large growth in EEC imports of soybeans and soybean oilcake and meal is shown in figure 18. (Soybeans were converted to meal equivalent.) As the chart shows, by far the largest proportion of EEC imports was obtained from the United States. With only a few exceptions, there were no year-to-year declines.

Animal Oils and Fats.

This classification includes (1) oils of fish and marine mammals and (2) animal oils, fats, and greases, excluding lard. The EEC countries imported nearly $90 million worth of these commodities in 1952-54, a level practically unchanged in 1964-66. Since the value of all grain-livestock commodities increased by more than 130 percent between the two time periods, the relative importance of animal oils and fats decreased. From the viewpoint of the United States, animal oils and fats are somewhat more important. Even though the relative importance of these commodities to the United States declined between 1952-54 and 1964-66, the value of EEC imports from this country increased by approximately 30 percent.

During the base period, the U.S. position showed a slightly declining trend. Since 1962, there has been no consistent pattern (fig. 19). The actual share of the market was below trend in 1963 and 1964, and in 1965 and 1966 it was above. On balance, the United States has been a little above trend and there has been no change in the average share of the market (at 44.8 percent) between the base period and 1963-66.

Intra-EEC trade in these commodities increased in importance during the base period at a fair pace. Evidence suggests an acceleration of this trade in

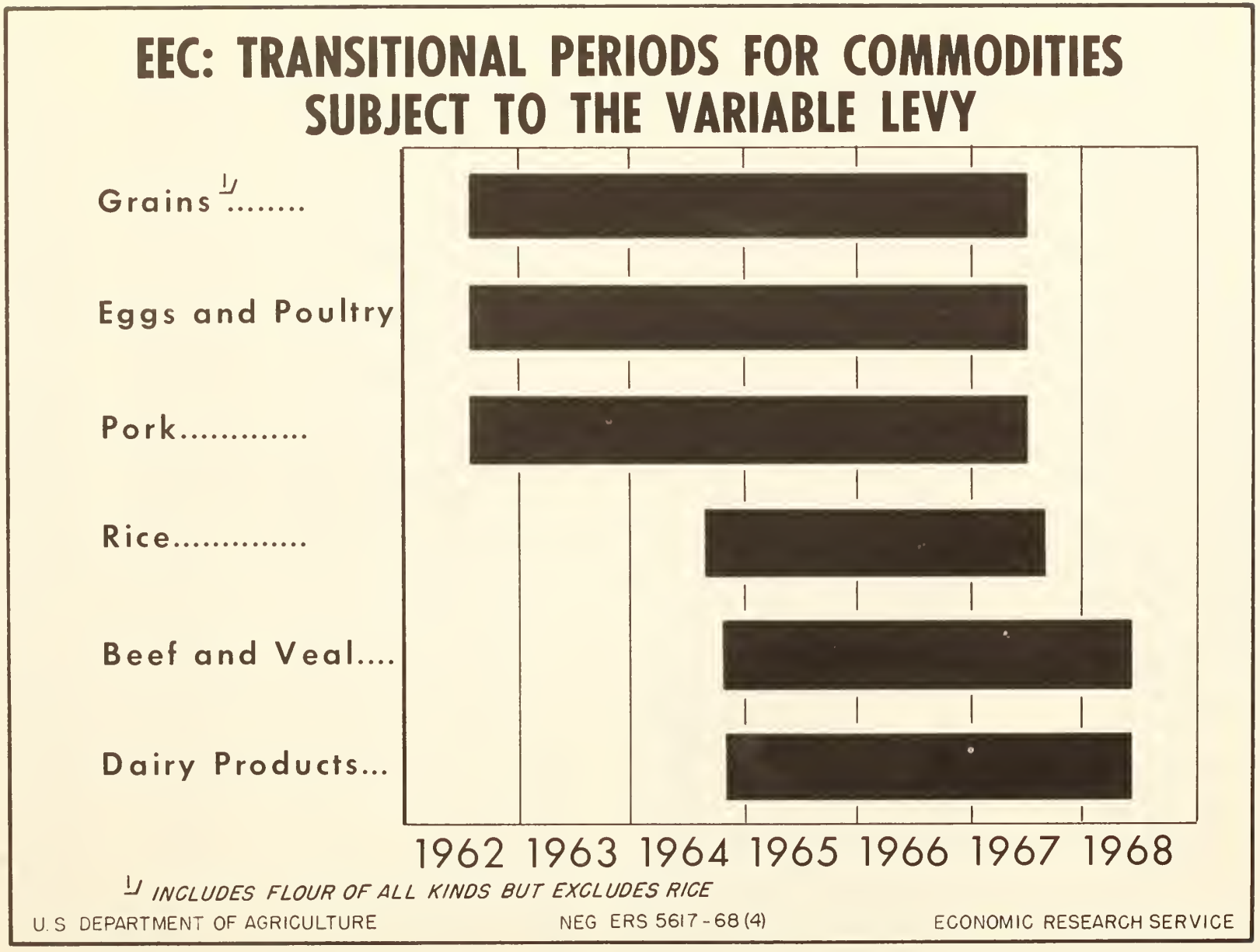
EEC: TRANSITIONAL PERIODS FOR COMMODITIES SUBJECT TO THE VARIABLE LEVY
Grains 1/.....
Eggs and Poultry
Pork.....
Rice.....
Beef and Veal....
Dairy Products...
1962 1963 1964 1965 1966 1967 1968
1/ INCLUDES FLOUR OF ALL KINDS BUT EXCLUDES RICE
U.S DEPARTMENT OF AGRICULTURE
NEG ERS 5617-68 (4)
ECONOMIC RESEARCH SERVICE

Figure 18

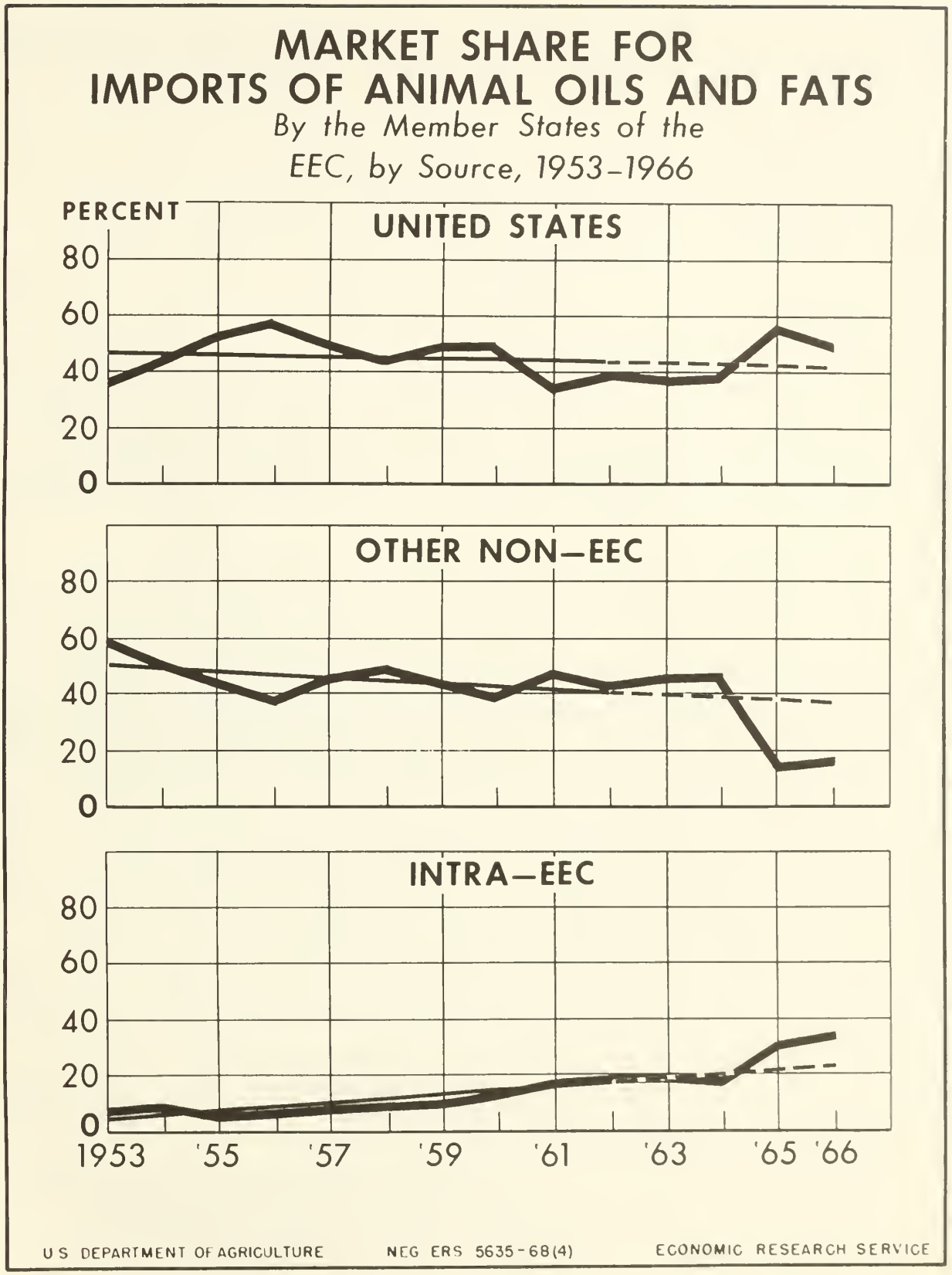
MARKET SHARE FOR
IMPORTS OF ANIMAL OILS AND FATS
By the Member States of the
EEC, by Source, 1953-1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
U S DEPARTMENT OF AGRICULTURE
NEG ERS 5635-68(4)
ECONOMIC RESEARCH SERVICE

Figure 19

1965 and 1966 when the market share figures were far above the trend level. This becomes all the more significant when the very small variations from trend in the past are considered. The average market share increased nearly three-fold--from 9.4 in the base period to 24.8 percent for 1963-66.

As is true for a number of commodities, the deterioration in market position characterizes the change for other non-EEC nations. The trend in the base period was downward and in 1965 and 1966 the figures for these nations were more than 20 percentage points below trend. Also reflecting this deterioration was a one-third decline in average market share between the base period and 1963-66.

In summary, the value of EEC imports of animal fats and oils did not increase proportionately with grain-livestock imports overall so their relative importance declined. A partial explanation for this decline is the substitution of synthetic detergents for tallow. The market shares of the United States and for other non-EEC nations (especially the latter) declined over the long run; the data for intra-EEC trade show an increase. In 1965 and 1966, there were more than ordinary fluctuations. The United States and the intra-EEC trade positions increased very significantly and the market share for other non-EEC nations declined significantly.

Vegetable Oils, Unprocessed.

This classification includes nonvolatile oil from soybeans, cottonseed, peanuts, olives, sunflowerseed, and other vegetable sources. In 1964-66, these commodities made up 6.4 percent of the EEC's total grain-livestock imports. They were about 40 percent below the 11.1 percent registered for 1952-54. Even with this decline in relative importances, their value increased from $251 million to $335 million. EEC imports from the United States were very small in 1964-66 and made up only 2 percent of the EEC's imports of grain-livestock commodities, down from 5 percent in 1952-54.

The trend for the United States was nearly flat in the base period. Although the trade in this commodity is not directly or in any obvious way affected by the variable levy, the market share figures for the United States have consistently been below the extrapolated trend since 1962. Increasingly, the Member States have turned to importing whole soybeans, crushing them, and processing the oil. This has caused a shift away from vegetable oil imports from the United States. Once the oil has been separated from the beans, some proportion of the oil then enters intra-EEC trade. In consequence, the U.S. market share for this group of products has dropped below trend. Conversely, the share for intra-EEC trade has risen progressively above trend. The average market share for the United States has dropped from 13 percent to 6.5 percent, a 50 percent decline from the base period to 1963-66.

Intra-EEC trade was slightly downward in the base period, and as already stated, the trade was significantly above trend after 1962. Despite this improvement over trend, the average market share was up only very slightly.

The market share for other non-EEC nations increased moderately in the base period. After 1962, the data moved unevenly but in general they were above trend. The average market share increased from 78.5 percent in the base period to 84.3 percent in 1963-66. Thus, the non-EEC nations in the base period were the largest suppliers and furthermore they improved on this position after 1962.

AGGREGATE VIEW OF COMMODITIES AND CONCLUSIONS

The commodities in this study were aggregated into those subject to the variable levy and those free from it. Roughly 60 percent of the grain-livestock commodities imported by the EEC from the United States are covered by one of the levy systems.

Variable Levy Commodities.

In spite of the levies, the average U.S. market share for these commodities increased in 1963-66 from 18 percent to 20.6 percent. The uptrend of the base period was only 0.4 percentage point a year, and it did not significantly change in 1963-66 (table 11 and fig. 20).

Market shares in general were above the trend line in 1963-66 for wheat and corn as well as for several minor commodities subject to the levy. Market shares for barley, other feed grains, and meat were below the trend line.

Although wheat was on the plus side with regard to market share its role has declined. Quantities of wheat imported were below trend in 1963, 1964, and 1965. Therefore, it was primarily corn that offset the less-than-trend position for the other commodities. Even so, the role played by other feed grains should not be underestimated. Their less-than-trend position on a market share basis is the result of a decline in the rate of increase rather than an absolute decline. From the base period to 1963-66, the average market share for other feed grains increased 32 percent and quantity imported increased 60 percent. Nevertheless, the data do suggest a change in trade patterns for other feed grains since the variable levy was instituted.

In the base period, intra-EEC trade in commodities now subject to the variable levy increased on the average 0.8 percentage point annually. After 1962, this trade consistently has been above trend although not to any great extent. The average market share increased nearly 40 percent to a level of 31.4 percent.

For other non-EEC countries, there has been a deterioration. In the base period, the trend coefficient for market share was downward and after 1962 the share figures were consistently below trend. Thus, the most noticeable change since 1962 has been a less-than-trend position for other non-EEC countries matched by a greater-than-trend position for intra-EEC trade, with the United States more or less following trend with only a very slight deterioration. Thus, on balance the development in the Community since 1962 appears to have affected the market share of other non-EEC countries more unfavorably than that for the United States. As already stated, the U.S. position has not deteriorated because of the EEC's need for corn and other feed grains.

Table 11.--EEC: Market shares for commodities subject to the variable levies, commodities free from the levy, and all commodities

Commodity and source	Average market shares		Trend analysis						
			Base period (1953-62)		Difference between extrapolated trend values of market shares and actual values				
	Base period (1953-62)	1963-66	Trend coefficient	S_{yx}	1963	1964	1965	1966	Average
Commodities subject to variable levy:									
United States	17.8	20.6	.43	3.1	-0.3	-0.3	-0.7	0.3	-0.2
Other non-EEC	59.5	48.0	-1.19	3.1	-1.6	-2.7	-4.1	-4.5	-3.2
Intra-EEC	22.6	31.4	.77	2.2	1.9	3.0	4.7	4.1	3.4
Commodities free from variable levy:									
United States	19.1	27.0	.96	3.0	-1.4	2.8	1.6	1.7	1.2
Other non-EEC	72.0	61.8	-.99	3.1	.6	-5.4	-4.0	-4.4	-3.3
Intra-EEC	8.9	11.2	.03	.6	.7	2.6	2.3	2.7	2.1
All grain-livestock commodities:									
United States	18.3	22.9	.62	2.1	-.7	.7	-.1	.8	.2
Other non-EEC	64.3	52.9	-1.13	2.3	-.8	-3.9	-4.5	-4.7	-3.5
Intra-EEC	17.4	24.2	.51	1.3	1.5	3.2	4.6	3.8	3.3

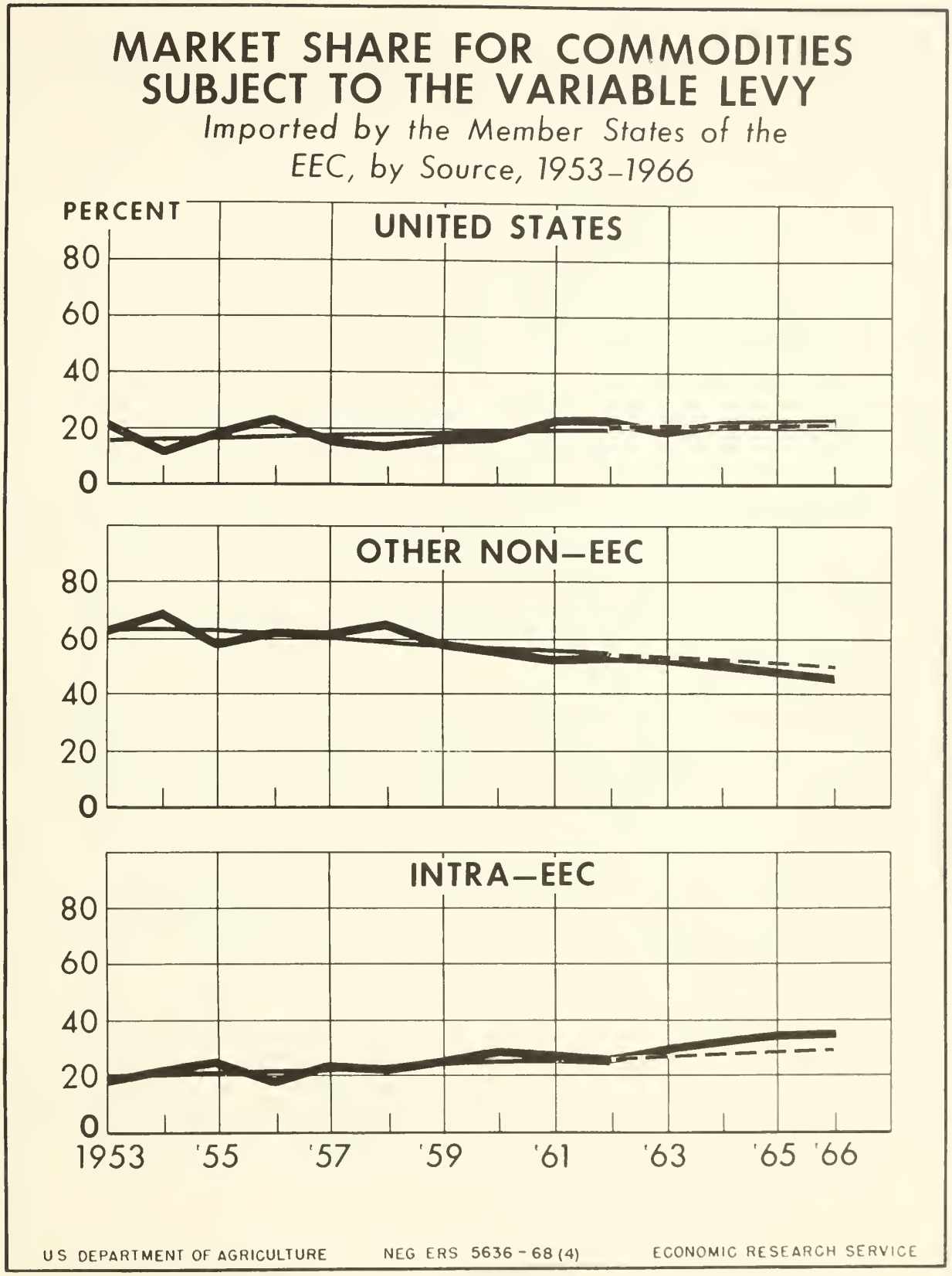
MARKET SHARE FOR COMMODITIES SUBJECT TO THE VARIABLE LEVY
Imported by the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
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Figure 20

Commodities Free from the Levy.

The increase in market share for these commodities in the base period for the United States equaled nearly 1 percentage point a year as measured by trend (table 11 and fig. 21). Except in 1963, the U.S. market share was above trend in 1963-66; on balance it was 1.2 percentage points above trend. The corresponding figure for the commodities subject to the levy was -0.2 percentage point. Thus, the United States has fared somewhat better with the commodities not subject to the levy than with those subject to it.

The market share trend for intra-EEC trade for commodities not subject to the levy was nearly flat in the base period. Since 1962, market share figures have been above trend but not as much so as those for variable levy commodities. This suggests that intra-EEC trade would have grown in importance even without the variable levy but the variable levy gave an extra push. This conclusion does not necessarily follow, of course, since the figures may reflect other forces at work. Nevertheless, the data do suggest that the variable levy was an influencing factor.

The market share position for the commodities not subject to the levy for the other non-EEC countries deteriorated as much as that for the commodities subject to the levy. This suggests that forces other than the variable levy are also strongly at work. In general, they have worked to the favor of the United States and intra-Community trade.

All Grain-Livestock Commodities.

During 1963-66, the variable levy system did not reduce the U.S. share of the grain-livestock market in the EEC. The average market share increased from 18.3 percent to nearly 23 percent. In the base period, there was a slight upward trend that continued unabated after 1962 (table 11 and fig. 22). The interplay of commodities responsible for this improvement has already been discussed.

For intra-EEC trade, there was a very slight uptrend in the base period. However, in 1963-66, there was some acceleration, resulting primarily from increases in variable levy commodity trade. The average market share increased from 17.4 percent to 24.2 percent, an increase of two-fifths.

The other non-EEC countries have not fared so well, even before the CAP. In the base period, the average decline in market share was 1.1 percentage points annually. After 1962, the figures have all been below trend, and the difference has grown. On balance, these nations have been 3.5 points below, about the same as intra-EEC trade was above. Commodities not subject to the levy contributed to the decline as much as the variable levy commodities did.

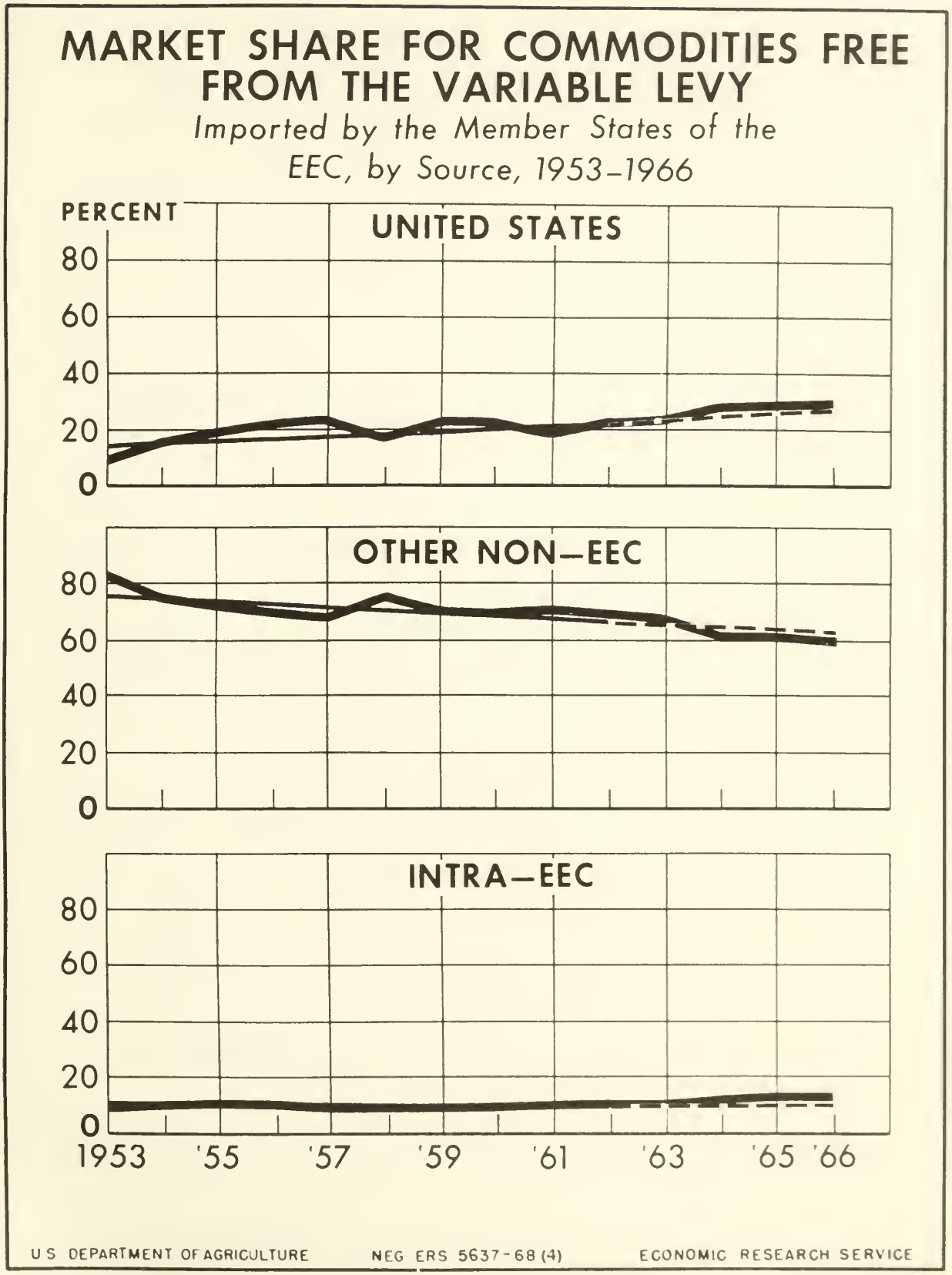
MARKET SHARE FOR COMMODITIES FREE FROM THE VARIABLE LEVY
Imported by the Member States of the EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
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Figure 21

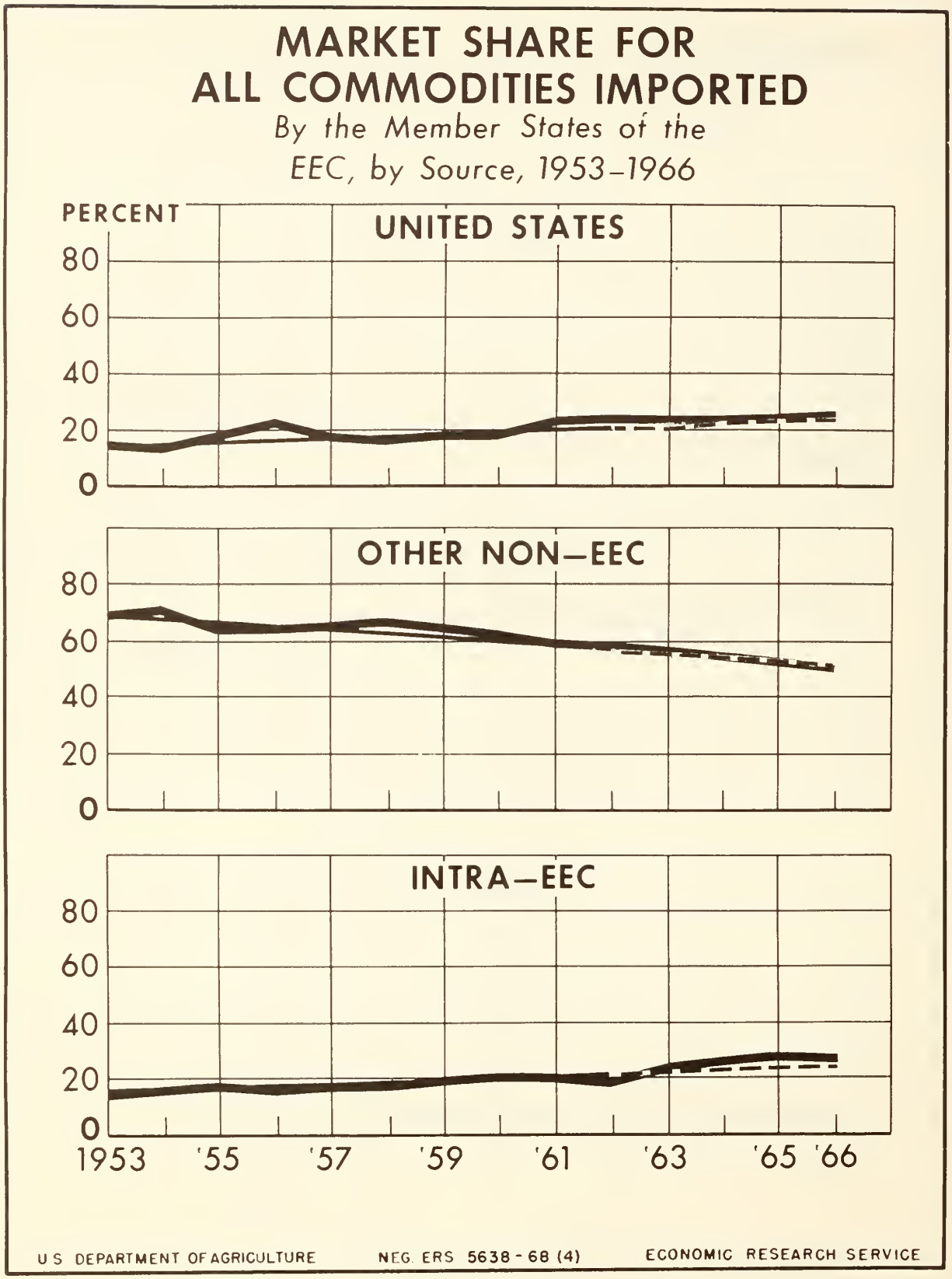
MARKET SHARE FOR
ALL COMMODITIES IMPORTED
By the Member States of the
EEC, by Source, 1953–1966
PERCENT
UNITED STATES
OTHER NON—EEC
INTRA—EEC
80
60
40
20
0
1953
'55
'57
'59
'61
'63
'65
'66
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Figure 22

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